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The Genesis of the Madagascar Problem  
A Study in Nineteenth Century Imperialism

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It is striking that in occupying Madagascar, 4 May 1942 the British are taking what France virtually seized from the British in the 1880's and 1890's. 995 miles long and 350 broad, Madagascar is as large as the Dakotas, Nebraska, and Kansas; it was a land where Europeans saw tempting possibilities in coffee and sugar, gold and coal, timber and rubber, and in trade with the four million natives. What little actual business went on was magnified into alluring, yet unreal, potentialities. It was, even then, in striking distance of Aden (and perhaps Suez), Réunion and Mauritius, Zanzibar, South Africa, and the routes to India and the East. Airplanes and submarines have now increased its striking power. In the north tip of the island the roadstead of Diego Suarez, commodious enough for a modern battle fleet, added much strategic importance, which was then as now, mainly potential; it was more pressing to forestall a rival than to fortify the island. The natives formed no united military force. Actually, there were two groups of natives. One was a congeries of semi-barbarian tribes scattered over the periphery of the island, the chief being the Sakalavas of the northwest coast. The other was a Polynesian people, the Hovas, who tended to dominate all Madagascar from their somewhat inaccessible plateau of Imerina. Through them both the

French and the British sought to control the island until the French conquest in 1896.

The Hovas claimed sovereignty. To be sure, France had counter claims based on discovery and exploration, a disputed interpretation of the Vienna Congress settlements of 1815 and some dubious treaties with the Sakalavas. Referring to these claims, the *Journal des Débats* once suggested that every state had portfolios of old claims to be used on occasion, non-use not affecting their validity.<sup>1</sup> Similarly Premier Freycinet wrote that "history, tradition, and much imagination had created between Madagascar and us bonds that no (French) statesman could neglect." Despite such claims, the Hovas made treaties with the Powers and claimed sovereignty over the entire island including the Sakalavas.

The frailty of the native government, the lure of markets and raw materials, the opportunity for missionary efforts and the desirability of forestalling a rival in the scramble for strategic places all laid Madagascar open to European imperialism. Imperialism is compounded from various forces—the ambitions of statesmen, the relentless pursuit of prestige and power, the innate urge to dominate, the stimulus of rivalry and jealousy, the military and economic pressure for raw materials, markets, reservoirs of labor and troops or for fields of investment abroad, and finally the *mission civilisatrice*. After the manifold readjustments of 1870-71 a powerful combination of such factors brought about a revival of imperialistic ventures which were expected to redress the balance of power, restore prestige and enhance trade. So European nations sought the fruits of imperialism everywhere. France herself was involved in Indo-China, Egypt, Zanzibar, and West Africa. Of first importance is the fact that each of these was an area of Anglo-French rivalry—a rivalry more widespread, and probably more important, than the celebrated Franco-German feud. Madagascar was an important stake in this Anglo-French rivalry which was expressed in the quest for markets, raw material preserves, and fields of investment; in the scramble for strategic points; in the maneuvering for native favor; and in that supreme egoism of nineteenth century Europe, the White Man's Burden or the *missions civilisatrice*.

<sup>1</sup> *Journal des Débats* (Paris), 24 March 1884.

<sup>2</sup> Charles de Freycinet, *Souvenirs 1878-1893*, II, 268.

In Madagascar the most influential exponents of the White Man's Burden were the missionaries who, usually unofficially and sometimes unconsciously, extended the customs, trade, and power of their own nation. The five Protestant and the one Catholic mission concentrated on the Hovas. The latter, subsidized in part by the French government, claimed 35,000 adherents under the direction of some fifty priests and nuns.<sup>1</sup> Hovas and Europeans alike felt that it represented French political cultural interests, even in a period of sharp anticlericalism in France. The Norwegian Lutherans, the Friends and the Anglicans also maintained missions.

The most influential and the largest mission was the London Missionary Society, commonly called the L. M. S. By a curious misunderstanding it was called English Methodist, especially by Frenchmen in a bad humor. The L. M. S. was rather the agent of the Non-Conformists, especially the Congregationalists. It enjoyed the friendship and co-operation of the Hova Queen and Premier to such an extent that it was obliged to deny that it had become a state church.<sup>2</sup> The society's annual report of 1883 recorded 31 missionaries, 3663 native ordained ministers, 808 schools serving 71,411 pupils, a vocational school, a seminary and a college.<sup>3</sup> L. M. S. missionaries were pro-Hova and anti-French. In England the society was influential in the anti-imperialist Liberal party which drew its voters largely from Non-Conformists. The power of the L. M. S. has suggested to some that England conquered through third parties—a program that failed, unfortunately, to stake out a formal claim to the island.

Britain had other stakes in the island. A majority of the foreigners there were British Indian or English.<sup>4</sup> Three-fourths of the foreign trade was about equally divided between American and British firms. The French therefore, had little trade to lose

<sup>1</sup> *Statesman's Yearbook*, 1892, p. 517; *La Vaissière in Vingt Ans a Madagascar*, p. 297, extravagantly claimed 85,000 members (1885). For evidence of subsidy, cf. *Débats parlementaires, Annales de la Chambre des Députés*, 1884, I, 1049 (Cited hereafter as *Chambre*. In 1895 the Protestant Société des missions évangéliques entered Madagascar, thus bringing in French Protestant influence.

<sup>2</sup> *Annual Report, L. M. S.*, 1886, p. 136.

<sup>3</sup> *Ibid.*, 1883, p. 36. Lord Lyons, English ambassador in London, himself admitted that Britishers exerted much influence over the Hovas: Lyons to Duclerc, 22 Dec. 1882, *Livre jaune, Affaires de Madagascar 1881-83*, no. 35. (Hereafter cited as *L. j. I*).

<sup>4</sup> In January 1883 the British consul reported 1,200 British subjects in Madagascar: Pakenham to Granville, 3 Jan. 1883, *Parliamentary Papers, Africa No. 1*, 1883, no. 67. (Cited hereafter as *Africa*, No. 1. 1883.)

and much to gain by war. The trade itself was not a great prize,<sup>1</sup> the lure of potential trade resources and the desire to outstrip competitors being more important. There were several British and French planters, mostly from Réunion and Mauritius. The French planters and officials were a noisy, aggressive lot as we shall see. Unfriendly sources asserted that they wanted French control of Madagascar as a way of obtaining cheap land and coolie labor, especially after the British stopped the export of Indian coolies to Réunion in 1882.<sup>2</sup>

It remains to relate briefly the Anglo-French struggle in Madagascar to its imperialistic background. By 1880 the rush of European states to acquire recently opened African territory was on. "We look upon a spectacle unique in history," *L'Afrique française* remarked, "the actual partition of a little known continent." Major divisions occurred in 1885, 1890, 1895, 1898, and 1904. In each of these Madagascar was involved, sometimes importantly. Here we can deal only with early phases of the first divisions. As the drive to divide Africa got under way, France began the process of destroying in Madagascar the dominating influence wielded by a superior English missionary and trading establishment. By using force and by taking advantage of English embarrassments, particularly in Egypt, the French were able to replace English influence with French control in three successive stages.

The story may properly begin in 1881 with a bitter quarrel over the estate of a deceased French consul, one of whose heirs was Chancellor of the French consulate. The Hova government withheld the inheritance chiefly on the grounds that foreigners could have only a life estate. The French consul, refusing arbitration, withdrew to the coast from the Hova capital in the interior; soon he was transferred to Hong Kong.<sup>3</sup> Shortly afterward, the Hova government promulgated a consolidated law code, 29 March 1881. Its Law 85, famous in Malagasy affairs, forbade the alienation of

<sup>1</sup> Cf. *Statesman's Yearbook*, 1892, p. 519. *Whitaker's Almanac*, 1883, p. 343, placed British trade at £58,623 for 1882.

<sup>2</sup> No convincing evidence is available.

<sup>3</sup> *L'Afrique française*, Jan. 1891, p. 1. This is the organ of the imperialistic Comité de L'Afrique française.

<sup>4</sup> Baudais to Gambetta, 1 Dec. 1881, *L. j. Méd.* I, No. 2; S. P. Oliver, *Madagascar*, II, 277.

land to foreigners." A week after publication of the code, a new French consul arrived. Hardly had Consul Meyer appeared when a fresh problem arose from a brush between a dubious Arab boat of French registry and Sakalava officials. Meyer futilely demanded compensations. In this quarrel no French official exhibited any knowledge of a Sakalava protectorate, i.e., the west coast—a protectorate the French would soon noisily acclaim." Indeed, Meyer did the contrary by scolding the Hovas for not controlling the Sakalava tribes.

During this controversy the American consul, W. W. Robinson, concluded with the native government a treaty that purposely played into the hands of the English. Thus, it asserted: "The dominions of her Majesty the Queen of Madagascar shall be understood to mean the whole extent of Madagascar."<sup>1</sup> Robinson wrote in explanation:

It is intended to revise the treaties with England and France and they intend this to be the sample or basis for the new treaties . . . This section brought up the discussion relative to the West Coast, which drew from them the promise to establish military posts and custom houses . . . The Government . . . understands . . . [how] the unsettled condition of affairs on the West Coast is regarded by foreigners, and threats made by French Creoles and others that France would take possession . . . or assist them [Sakalavas] to overthrow Hova sovereignty have come to their ears. All this has caused them to hasten their preparation . . . and it is the reason why this was inserted. They intend to have it in all their treaties." The treaty further recognized that Malagasy lands could not be sold to foreigners. This clause, wrote Robinson, "was prefixed by them. I am telling them they might insert as big a lie as they pleased as Americans cared nothing about the point . . . The clause, of course, was directed against the French."<sup>2</sup>

While Robinson was forwarding his treaty and Meyer was fruitlessly negotiating, an English Admiral, Gore Jones, visited the Hova queen and it was believed that he had urged the Hovas to

<sup>1</sup> C. Julien, *Recueil des lois malgaches*. U. S. Consul Robinson claimed "the compilation and printing of their laws and decrees in book form . . . was done at my suggestion." Robinson to Payson, 27 June 1881, *U. S. Consular Letters, Madagascar*, III, no. 82.

<sup>2</sup> Robinson to State Dept., 29 June 1882, *Ibid.*, no. 101; Oliver, *op. cit.*, II, 278-82.

<sup>3</sup> *British and Foreign State Papers*, vol. 72, p. 566-80.

<sup>4</sup> Robinson to Payson, 27 June, 15 Oct., 1881, *U. S. Consular Letters, Mad.*, III, nos. 82, 88. In late 1882 the Hovas sought an English treaty on this model.

<sup>5</sup> Robinson to Payson, 27 June 1881, *Ibid.*, no. 82.

occupy the Sakalava area. Men in Réunion were alarmed. About this time two L. M. S. agents added to the disquietude by escorting to the Hova capital some Sakalavas seeking improvements in Hova administration."

Perhaps these events moderated the attitude of Consul Meyer, for he almost settled the inheritance issue. Then he was transferred to Singapore." His successor, M. A. Baudais, who arrived in November 1881, believed negotiations would be futile," for years of negotiating had only succeeded in embarrassing his government. We do not have his original instructions" nor do we know how much the clamor in Réunion and among the French in Madagascar influenced him, but we do know that under him the question of the protectorate emerged as the principal issue and that he initiated a strong policy for which he consistently campaigned." He filled his letters with the secret efforts of the Hovas to extend their influence over the Sakalavas whom he claimed as French proteges by treaties of 1840-41. He insisted that the "Hovas move slowly but steadily toward this end: the expulsion from the country of everything French . . . I do not propose an armed intervention, but I think the moment has come to make serious representations . . . supported, if need be, by the presence of many ships from our navy . . . If you do not take my advice, Monsieur le Ministre, I greatly fear that France will see herself very soon forced to turn to methods still more energetic; at least, she should not consent to see her nationals pillaged and shamefully driven from this territory."

Similar letters followed; tension increased; and in the spring of 1882 French warships from Zanzibar called at Madagascar."

Meanwhile the French government considered the Malagasy problem, especially an English proposal that French and English

"What are French Doings among the Sakalavas? (Pamphlet issued by the Madagascar Committee); Oliver, *op. cit.*, II, 283.

"Baudais to Gambetta, 1 Dec. 1881, *L. j. Mad.*, I, no. 2; Oliver, *op. cit.*, II, 278.

"Baudais to Gambetta, 1 Dec. 1881, *L. j. Mad.*, I, no. 2.

"A later despatch indicated that he was first instructed to vindicate French interests and rights which were not incompatible with Hova independence: Freycinet to Baudais, 2 March 1882, *L. J. Mad.*, I, no. 4.

"*Journal des Débats*, 8 July 1882; *Antananarive, Annual*, 1882, p. 127; Lyons to Granville, 16 Aug. 1882, *Brit. and For. State Papers*, vol. 75, p. 148.

"Baudais to Gambetta, 13 Dec. 1881, *L. j. Mad.*, I, no. 3.

"Baudais to Gambetta, 1 Dec. 1881, 3, 7 Feb., 28 March, 1882, *Ibid.*, nos. 2, 5, 6, 7.

ships carry Hova troops to stop disorder and pillage in regions Baudais was claiming as a protectorate. Premier Gambetta refused to enter the trap. Indeed, Baudais had already impressed on him the strength and growth of English influence.<sup>22</sup> Before he could act further, his ministry fell. His successor, Charles de Freycinet, after sounding naval officers, instructed Baudais to maintain French rights stoutly. "We cannot accept the English proposal," Freycinet explained, "unless we are assured that we will not need to combat Hova enterprises there . . ." Soon Admiral Le Timbre, Commander of the East Indian Station, left for Madagascar in the *Forfait*. Undoubtedly, Freycinet expected good results from the presence of the warship.<sup>23</sup>

It was not until 9 April that Baudais received the Freycinet letters. He then called twice on the Hova premier. "I spoke with firmness," commented Baudais, "but I say to you, Monsieur le Ministre, I expect no results from this step." Only the presence of a warship, he believed, could obtain satisfaction of French demands.<sup>24</sup> Finally, after fruitless bickering, Baudais received a categorical denial of French rights to the northwest coast. This, together with the growing restlessness of the natives, led Baudais after a final and frigid interview with the premier to withdraw from the capital to the island's principal port, Tamatave, on the east coast.<sup>25</sup>

Baudais immediately set about to justify his action to his chief. After reference to Hova overtures for English aid, the consul explained that . . . "it seemed impossible to back down before receiving complete satisfaction. Otherwise our situation is definitely lost . . . All confidence in France will disappear among our nationals and we will pass before the eyes of the Hova people as debased, im-

<sup>22</sup> Gambetta to Rouvier, 11 Jan. 1882, *Documents diplomatiques français*, series I, vol. IV, no. 230. (Cited hereafter as *Doc. dip. fr.*)

<sup>23</sup> Freycinet to Baudais, 2 March 1882, Part of the despatch appears in *Ibid.*, no. 269; part in *L. j. Mad.*, I, no. 4. Cf. Jaurequiberry to Freycinet, 27 Feb. 1882, *Doc. dip. fr.*, ser. I, vol. IV, no. 269, note 2.

<sup>24</sup> Freycinet to Baudais, 28 March 1882, *L. j. Mad.*, I, no. 5.

<sup>25</sup> Baudais to Freycinet, 25 April 1882, *Ibid.*, no. 9.

<sup>26</sup> Baudais to Freycinet, 13 Nov. 1882, *Ibid.*, no. 10; Hova Premier to Baudais, 13 May 1882, Oliver, *op. cit.*, II, 537; Baudais to Freycinet, 18, 31 May 1882, *L. j. Mad.*, no. 11. On 5 May at Tamatave, Le Timbre made a bullying address to local officials: Le Timbre to Baudais, 18 May 1882 in Baudais to Freycinet, 18 May 1882, *Ibid.*, no. 11; *Antananarive Annual*, 1882, p. 127.

potent, crying loudly, but incapable of making ourselves respected."<sup>1</sup>

When Baudais and Admiral Le Timbre met at Tamatave, they soon decided on action. Le Timbre accordingly sailed to the north-west coast where his men cut down two Hova flags in unprotected places. Flags in garrisoned towns were not molested, for he did not wish to attack a village without authorization from Paris.<sup>2</sup> Baudais pleaded again with his chief for the use of force; for the French, he insisted, faced the dilemma of complete vindication or withdrawal.<sup>3</sup> He should have added that the crisis existed largely because he and Le Timbre had acted vigorously while the Quai d'Orsay was cautious and undecided.

Hova strategy, in brief, was based on delay, avoidance of anti-French incidents and a search for foreign aid; for the Hovas feared the eventual establishment of a French protectorate. As early as July 1882, the Malagasy government decided to send an embassy to Europe. Cold to the proposal, Baudais opposed it all he could.<sup>4</sup> Evidently he did not wish affairs taken out of his hands or his own forward policy delayed by transference of negotiations to Paris. But the native mission left in early August for Paris. Two outsiders accompanied the group. One was a Mr. Tacchi, former English missionary turned editor and owner of the anti-French *Madagascar Times*—a sheet with the gossipy and quarrelsome characteristics of a country weekly. The other was Consul Robinson who accompanied the mission in a friendly, non-political capacity.<sup>5</sup> Baudais himself followed with his Chancellor

<sup>1</sup> Baudais to Freycinet, 2 June 1882, *Doc., dip. fr.*, ser. I, vol. IV, no. 362. Evidently the French government considered this letter dangerous. The *Livre jaune* printed only one sentence. The *Documents diplomatiques français* compressed all references to England into this summary: "Long considerations of the efforts of the Hova government to obtain aid from England; M. Baudais does not think that an entente with the Queen will be possible."

<sup>2</sup> Baudais to Freycinet, 17 June, 4, 28 July, 28 Aug., 1882, *L. j. Mad.*, I, nos. 14, 16, 18, 21; Robinson to State Dept., 29 June 1882, *U. S. Consular Letters, Mad.*, III, 101.

<sup>3</sup> Baudais to Freycinet, 28 July, 28 Aug. 1882, *L. j. Mad.*, nos. 18, 21. Baudais had by now closed the consulate at the capital.

<sup>4</sup> Baudais to Freycinet, 28 July 1882, *Ibid.*, no. 18 and enclosure; manuscript notation in *Ibid.* in U. S. State Dept. Archives; F. W. Chesson of the Aborigines Protection Society, to London *Times*, 6 Sept. 1882.

<sup>5</sup> Baudais to Freycinet, 28 1882, *L. j. Mad.*, I, no. 18; Robinson to State Dept., 20 Aug. 1882, *U. S. Consular Letters, Mad.*, III, no. 107; Adey to Robinson, 17 Oct. 1882, U. S. State Dept., *Instructions to Consuls*, vol. 104, no. 652; Oliver,

to arrive in Paris a month behind the Hovas. Meanwhile, the Malagasy remained quiet so they would not supply the French with new grievances."

The abortive Franco-Hova conferences at Paris in October and November were influenced by the French policy evolved during 1882. Gambetta had decided as early as 11 January against co-operation with the English in transporting troops to the northwest coast; his successor continued the same policy. It was not, however, until May that Freycinet authorized an explanation to the London cabinet.<sup>10</sup> On 7 July, Baudais' alarming letter of 2 June arrived reporting his withdrawal to the coast and emphasizing the necessity of vigorous action. Much impressed, Freycinet endorsed it: "Urgent. It is necessary to establish in a sharp and precise manner all our rights and to prepare to support them energetically. Tell me as soon as the report is finished."<sup>11</sup> No instructions, however, issued from his office for two weeks; then he instructed Baudais to avoid premature action until the Foreign Ministry and the Ministry of Marine and Colonies could decide on a policy which the cabinet finally accepted 10 August.<sup>12</sup> Le Timbre was to follow a prudent policy of safeguarding French interests without excluding ordinary and peaceful means of settlement; Baudais meanwhile, was to transfer negotiations to Paris.<sup>13</sup>

Why did the Quai d'Orsay move so slowly and cautiously? There were ample reasons. The shrewd Hovas gave the French no spectacular incident to exploit.<sup>14</sup> The British bombardment of Alexan-

*op. cit.*, II, 299; Baudais to Duclerc, 28 Aug. 1882, *L. j. Mad.*, I, No. 21; Duclerc to Baudais, 17 Aug. 1882, *Ibid.*, no. 20, instructed Baudais not to hinder the departure of the envoys. In July when Le Timbre forbade an American vessel to unload war materials from New England for the Hova army, Robinson, after a stormy interview, obtained permission for the unloading. Robinson's vice-consul was the Madagascar agent for the New England munitions firm: Robinson to State Dept., Aug. 1882, *U. S. Consular Letters Mad.*, III, no. 105 Annual Register of U. S. Nationals in Madagascar, *Ibid.*

<sup>10</sup> Robinson to State Dept., 28 July 1882, *Ibid.*, III, no. 104. British Consul Pakenham claimed credit for the quiet policy pursued by the Hovas; Pakenham to Granville, 14 Oct. 1882, *Africa*, No. 1, 1883, no. 22.

<sup>11</sup> Freycinet to Tissot, 1 May 1882, *Doc. dip. fr.*, ser. I, vol. IV, no. 8.

<sup>12</sup> Baudais to Freycinet, 2 June 1882, *Ibid.*, no. 362; endorsed by minister, 7 July 1882.

<sup>13</sup> Freycinet to Baudais, 20 July 1882, *L. j. Mad.*, I, no. 13.

<sup>14</sup> Duclerc to Jaurequiberry, 12 Aug. 1882, *Doc. dip. fr.*, ser. I, vol. IV, no. 506; Freycinet to Baudais 10, 17 Aug. 1882, *L. j. Mad.*, nos. 19, 20.

<sup>15</sup> See Note 35.

dria on 11 July 1882—despite French misgivings—almost crowded Madagascar news from French papers. War was imminent in Indo-China. Imperial adventures were so unpopular that the Freycinet cabinet was ousted 30 July when it proposed to occupy the Suez Canal to balance England in Egypt." Clearly, the cabinet had little time for Madagascar."

Freycinet passed on to his successor Duclerc the task of placating the English. Premier Duclerc tried first to turn aside the queries from the Foreign Office by pleading that negotiations were in progress over the violation of French treaties with the natives." When the pacific Lord Granville, Liberal Foreign Secretary, inquired what treaties were in question," there was no reply.

But the patient Granville was not stopped so easily. Through subordinates he reminded Duclerc that "Her Majesty's Government recognize the Queen of Madagascar as absolute Monark (sic) of the whole island . . . and . . . are unaware of any treaty in virtue of which the French government can claim any territorial jurisdiction over any part of the mainland of Madagascar." He continued by offering his good offices "with a view toward the restoration of the *status quo* and of amicable relation between France and the Hova government."<sup>10</sup> This proposal fell directly athwart French policy—the very policy Duclerc's government would attempt to impose upon the Hova mission in Paris. Duclerc resorted to delay; perhaps he hoped to confront the men in Whitehall with a *fait accompli*.

As Duclerc prepared for the Franco-Hova conferences he was well aware of the seriousness of Anglo-French rivalry, especially in the Congo and Niger regions, Egypt, Indo-China, and Madagascar. In the Malagasy question the French had to contend not only with political jealousies of the British but also with their religious prejudices; for the Protestant clergy looked upon French

<sup>10</sup> Cf. C. W. Hallberg, *The Suez Canal*, p. 262.

<sup>11</sup> Lyons to Granville, 28 July 1882, *Africa*, No. 1, 1883, no. 3.

<sup>12</sup> Lyons to Granville, 10 Aug. 1882, *Ibid.*, no. 5; Lyons to Granville, 16 Aug. 1882, *Brit. and For. State Papers*, vol. 77, p. 148.

<sup>13</sup> Plunkett to Granville, 28 Aug. 1882, *Ibid.*, 150; Granville to Lyons, 21 Aug. 1882, *Africa*, No. 1, 1883, no. 7.

<sup>14</sup> Plunkett to Duclerc, 12 Oct. 1882, in Plunkett to Granville, 12 Oct. 1882, *Ibid.*, no. 3; Granville to Plunkett, 7 Oct. 1882, *Brit. and For. State Papers*, vol. 75, p. 151.

policy as unfriendly to English missions." With this Anglo-French animosity in the background, the Franco-Hova conference became the focus of interest. During its life (18 October to 27 November) the only letter relative to Madagascar which crossed the Channel informed Granville that the questions being discussed were exclusively the affair of the French and Malagasy governments." Conferees were the three Hova ambassadors and three high officials from the French Marine and Foreign Ministries. Without following the tedium of the process-verbal, we need merely observe the irreconcilable nature of French and Hova aims. The Hovas, willing to compromise on non-essentials such as land titles, adamantly refused what the French most wanted: a protectorate."

Unable to accomplish much by direct conversations with the French, the Hovas turned to England. Certainly there was much to suggest this action. There were, for example, commercial and missionary stakes; nor could the English quietly contemplate the establishment of a French stronghold in the Indian Ocean. The Hovas probably knew of Granville's active interest in them. Certainly questions in Parliament indicated concern." Yet the Hovas were likely to overvalue English interest. Indeed, the London Times seldom mentioned Madagascar." "Public opinion here," wrote James Russell Lowell, American minister in London, "is not very deeply stirred by what has happened or . . . what may happen in Madagascar.""" Certainly, excitement over events in Ireland and Egypt left little attention for the Malagasy. The Englishman's dislike of France was more vigorously expressed as concern over excluding the French from Egypt. It was primarily special in-

" Tlasot to Duclerc, 4 Nov. 1882, *Doc. dip. fr.*, ser. I, vol. IV, nos. 555, 556. Cf. Herbert Bismarck to Prince Bismarck, 13 Sept. 1882, *La Politique extérieure de l'Allemagne*, III, 616.

" Duclerc to Lyons, 13 Nov. 1882, *Doc. dip. fr.*, ser. I, vol. IV, no. 532, note 1.

" Cf. Notes exchanged by conferees, *L. j. Mad.* 1, esp. nos. 23-28; Oliver, *Mad.* II, 510 ff.; Norton to State Dept., 30 Nov. 1882, *U. S. State Dept. Despatches, France*, vol. 91, no. 260. U. S. Ambassador Norton, fearing war, urged his chief to arbitrate the quarrel to avert war damage to American trade with Madagascar: Norton to State Dept., 5 Dec. 1882, *Ibid.*, no. 265.

" *Parl. Debates*, 30 Oct. 1882, vol. 274, p. 368; 13 Nov. 1882, *Ibid.*, 1304; 16 Nov. 1882, *Ibid.*, 1544; 20 Nov. 1882, *Ibid.*, 1720; 27 Nov. 1882, *Ibid.*, vol. 275, p. 127. Cf. Proctor to Dilke, 15 Nov. 1882, *Africa*, No. 1, 1883, no. 17.

" The *Times Index* for 1882 lists fewer than two dozen items.

" Lowell to Frelinghuysen, 16 Dec. 1882, *U. S. State Dept. Despatches, Great Britain*, vol. 146, no. 464.

terest groups that were concerned about the fate of Madagascar. They acted through the Madagascar Committee which included members of the Anti-Slavery Society, the Society for the Suppression of the Slave Trade, the Aborigines' Protection Society, the British and Foreign Bible Society, the London Missionary Society, the Society for the Propagation of the Gospel, the Friends Foreign Mission Association, the Evangelical Alliance, and members of Parliament from both parties."

In late November a delegation from this committee called on Granville to urge him in the name of civilization to forestall French aggression in Madagascar. The Secretary replied sympathetically, even stating forthright that his government knew of no protectorate treaty for the island." His statement was as gratifying to his callers as it was irritating to the French, who were soon to receive a similar message direct from Whitehall.

Pressure on Granville increased the next day with the receipt of a letter from the British consul in Tamatave which reported minor outrages for which he held the French morally responsible. "The only remedy," he advised, "is the establishment and consolidation of Hova authority" in the very regions claimed as a French protectorate." Here again British needs cut directly across French programs.

To be sure, Granville had the difficult task of being friendly to two enemies. How could he support the Hova mission—soon to be in London—as he desired and yet remain on good terms with the French? Soundings in Paris were not very encouraging." Finally on 2 December 1882 Granville received the Hova ambassadors, who desired to induce the British "to use their friendly

\* London Times, 29 Nov. 1882; *What are French Claims in Madagascar? French Doings among the Sakalavas*. (Mad. Comm. pamphlets); Oliver *op. cit.*, II, 251-4.

\* London Times, 29 Nov. 1882; Oliver, *op. cit.*, II, 251-4, 271.

\* Pakenham to Granville, 26 Oct. 1882, *Africa*, No. 1, 1883, no. 24.

\* Granville to Lyons, 29 Nov. 1882, *Brit. and For. State Papers*, vol. 75, p. 152; Lyons to Duclerc, 30 Nov. 1882, *L. j. Mad.*, I, no. 29, completed in *Doc. dip. fr.*, ser. 1, vol. IV, no. 565; Lyons to Granville, 1 Dec. 1882, Lord Newton, *Lord Lyons, A Record of British Diplomacy*, II 300. Granville's soundings were probably meant to trap Duclerc. Already the cabinet had decided on a policy of effacement, "to dissuade the Ambassadors from precipitate action", and to sound them for a possible compromise: Gladstone to Victoria, 4 Dec. 1882, George E. Buckle, *The Letters of Queen Victoria*, ser. II, vol. III, p. 414. Cf. Stephen Gwynn and Gertrude Tuckwell, *The Life of Sir Charles Duke*, II, 539.

offices for the purpose of insuring to the Queen of Madagascar sovereign rights." The Hovas condemned the French government roundly, declared that Gore Jones had encouraged them to occupy the disputed areas, and stressed their reforms—prohibition of the slave trade, liquor control, adoption of Christian teaching and English culture." All this seemed skillfully designed to curry favor.

Granville unfortunately offended the French. When he learned the French and Hova accounts of the rupture of the conference, he suggested that a chance for compromise existed in the "absence of any decided difference as to the views" of the two antagonists. (Was Granville blind?) For England he would accept the Hova proposals relative to land holding. What service could he render the French, he inquired." In reply, Duclerc expressed his regret that the London cabinet had given the Hovas serious illusions." Granville's answer was a reference to the dangers for Englishmen and other Europeans likely to arise from hostile French actions; he hoped for no precipitate action by the French."

French patience was now nearing its limits. Embarrassed by failure in dealing with a half-civilized people, goaded by noisy planters in Réunion and Madagascar, and annoyed by a hostile British press that made moderation and conciliation seem like losing face, the French were already troubled enough in Egypt and Indo-China." Influenced by these factors and perhaps by Budaïs himself, Duclerc impatiently informed Granville that his fears were unwarranted; that recent outrages had no relation to the Franco-Hova quarrel. Almost sarcastically referring to the exceptional influence exerted by Englishmen upon the Hova government, he suggested that the English could contribute to public order. Toward the end of the note, however, he urged co-operation

" Malagasy Ambassadors to Granville, 2 Dec. 1882, *Africa*, No. 1, 1883, no. 30; Granville to Lyons, 2 Dec. 1882, *Brit. and For. State Papers*, vol. 75, p. 153; Malagasy Ambassadors to Granville, 4 Dec. 1882, *Ibid.*, 157.

" Tissot to Duclerc, 4 Dec. 1882, *Doc. dip. fr.* ser. I, vol. IV, no. 569; Granville to Lyons, 5 Dec. 1882, *Brit. and For. State Papers*, vol. 75, p. 164.

" Tissot to Duclerc, 4 Dec. 1882, *Doc. dip. fr.*, ser. I, vol. IV, no. 569; Duclerc to Tissot, 3 Dec. 1882, *Ibid.*, no. 568; Granville to Lyons, 5 Dec. 1882, *Brit. and For. State Papers*, vol. 75, p. 164.

" Granville to Lyons, 5 Dec. 1882, *Ibid.*, 156.

" Cf. Lyons to Granville, 19 Dec. 1882, Newton, *Lyons*, II, 302; Lyons to Granville, no date, *Ibid.*, pp. 303, 318.

in the task "which superior and common interests can impose upon us."<sup>1</sup> After this flourish of *la mission civilisatrice*, Duclerc privately told Ambassador Lyons that the Foreign Office could help most by convincing the Hovas that England would give no aid.<sup>2</sup> He soon followed this lead by sending a truculent circular to all French embassies. It is hoped, the circular ran, "that the Hova mission will not find in England all the encouragement they seem to have flattered themselves to expect . . . The Government of the Republic will take at this time what measures the attitude of the Hova Government has made necessary."<sup>3</sup> Clearly, Duclerc was in an ugly mood. So, too, was Granville, for his colleague, Lord Derby, had blundered by saying publicly that Granville would do nothing positive for Madagascar.<sup>4</sup> Much harassed, Granville made three attacks on the Hova problem. He sought American aid, revised the Anglo-Hova treaty favorably to England yet unfavorably to France, and replied vigorously to Duclerc.

In mid December Granville called Lowell to the Foreign Office to explain how the Anglo-French feud in Egypt hindered him in protecting English interests in Madagascar—interests which were bound up with the fate of the Hovas. He then suggested that Lowell's government was in a strong position to offer mediation.<sup>5</sup> Nothing came of this suggestion. On the same day Granville sought from the Hovas a better land tenure agreement. Ten days later they proposed a system of leasing which, however, excluded alienation to foreigners.<sup>6</sup>

Granville tied this proposal into his negotiations with the Quai d'Orsay when he replied sternly to Duclerc's earlier note which

<sup>1</sup> Duclerc to Tissot, 11 Dec. 1882, *L. j. Mad.*, I, no. 32; Tissot to Granville, 12 Dec. 1882, *Africa*, No. 1, 1883, no. 41.

<sup>2</sup> Lyons to Granville, 13 Dec. 1882, *Brit. and For. State Papers*, vol. 75, p. 169.

<sup>3</sup> Duclerc to all French legations, 15 Dec. 1882, *Doc. dip. fr.*, ser. 1, vol. IV., no. 577.

<sup>4</sup> Gwynn and Tuckwell. *Sir Charles Dilke*, I, 540; Gladstone to Victoria, 14 Dec. 1882; Buckle, *Letters of Victoria*, ser II, vol. III, 379; *London Times*, 14 Dec. 1882.

<sup>5</sup> Lowell to Frelinghuysen, 16 Dec. 1882, *U. S. State Dept., Despatches, Gt. Brit.*, vol. 146, no. 464. Cf. Ed. Fitzmaurice, *The Life of Earl Granville*, 315-6, for Granville's regret that events in Egypt prevented his taking a strong hand in Madagascar.

<sup>6</sup> Granville to Malagasy Ambassadors, 16 Dec. 1882, *Africa*, No. 1, 1883, no. 41; memoranda of Mr. Lister, 16, 19 Dec. 1882, *Ibid.*, nos. 45, 48; Malagasy Ambassadors to Granville, 27 Dec. 1882, *Ibid.*, no. 51.

by implication had branded the English as trouble-makers. Granville denied the charge, asked that he be notified if Hova-French negotiations failed. In a manner that would not improve Duclerc's temper<sup>4</sup> he also suggested a compromise of the land question. The fundamental question of Hova sovereignty was again glossed over. Duclerc, in reply, objected strongly to Granville's note, especially its language."

There was no immediate reply. Instead, Granville laid a trap. Would Duclerc, he asked, be gracious enough to give him his views of the Hovas' proposal for the leasing of land? Duclerc would not commit himself to what he had refused the Hovas at Paris.<sup>5</sup> Granville, however, persisted in entering the Franco-Hova negotiations. His language, he insisted, had been misinterpreted; could he make any communication or suggestion to the Hovas?<sup>6</sup> The Quai d'Orsay, he was told definitely, wanted no such service.<sup>7</sup> This last exchange somewhat eased feelings; yet, basically, it underscored Anglo-French rivalry by implying that the Quai d'Orsay would go ahead regardless of the English.

A lull of almost two weeks followed. Then Granville began releasing himself from responsibility to the Hovas for he told them they must make their own decisions.<sup>8</sup> Quickly (in February) he secured a modification of Law 85 to allow foreigners unlimited leasing and even inheritance according to English law.<sup>9</sup> Thus, in this matter, the English obtained all, or nearly all, the French demanded.

We now enter the final stage in the genesis of the Franco-Hova War of 1883-85. The Hova mission dropped out of sight when it went to Washington to ratify the Robinson treaty and to state its

<sup>4</sup> Granville to Lyons, 19 Dec. 1882, *Africa*, No. 1, 1883, no. 47 and *Brit. and For. State Papers*, vol. 75, p. 170; Lyons to Duclerc, 22 Dec. 1882, *L. j. Mad.*, nos. 33, 35.

<sup>5</sup> Duclerc to Tissot, 4 Jan. 1883, *Brit. and For. State Papers*, vol. 75, p. 172; Duclerc to Tissot, 8 Jan. 1883, *L. j. Mad.*, I, no. 36.

<sup>6</sup> Lyons to Duclerc, 11 Jan. 1883, *Ibid.*, no. 37.

<sup>7</sup> Lyons to Granville, 19 Jan. 1883, *Africa*, No. 1, 1883, no. 58.

<sup>8</sup> Granville to Lyons, 17 Jan. 1883, *Ibid.*, no. 61; Duclerc to Granville, 24 Jan. 1883, *L. j. Mad.*, I, no. 40. The tension over the abolition of Anglo-French Dual Control in Egypt, 18 January 1883 may have influenced Granville to reply mildly.

<sup>9</sup> Granville to Lyons, 9 Feb. 1883, *Africa*, No. 1, 1883, no. 64.

<sup>10</sup> Declaration of 16 Feb. 1883, *Brit. and For. State Papers*, vol. 74, p. 16; Granville to Malagasy Ambassadors, 12 Feb. 1883, *Africa*, No. 1, 1883, no. 65.

case; Anglo-French exchanges over Madagascar ceased until hostilities were imminent. The real center of interest was Paris where a forward policy was quietly pushed regardless alike of the French Chambers and of the English government.

A domestic issue wrecked Duclerc's cabinet at the end of January. A short lived cabinet (29 January-21 February 1883) followed, headed by A. C. Fallières as Foreign Minister. Significant for this study was his ad interim appointment of M. de Mahy, Minister of Agriculture, to the Ministry of Marine and Colonies, for de Mahy was a militant, expansionist deputy from Réunion. Undoubtedly influenced by Baudais and his Chancellor, both of whom were in Paris, de Mahy acted rapidly and with little regard for either the English government or the French Parliament.

Sources are inadequate." About all we know is that by 11 February, 1883, Fallières and deMahy had ordered Admiral Pierre to Madagascar with a fleet. Following the example of Le Timbre, his task was to secure proper respect for the French protectorate on the northwest coast as "a purely defensive action, a police measure of a type that cannot be likened in any fashion to an expedition to an enemy country."<sup>1</sup> Pierre and his fleet left Toulon on 15 February.

A week later the Fallières cabinet fell because of a domestic issue. Jules Ferry, an ardent imperialist, became premier with P. A. Chalmel-Lacour as foreign minister. Despite Ferry's anti-clericalism, clericals supported his vigorous Madagascar policy, for it meant much to Catholic missions there. He began his ministry with the tongue-in-the-cheek announcement: "The foreign policy of this cabinet, like that of all its predecessors . . . can only be a policy of peace."<sup>2</sup> On 15 March the London *Times* innocently commented that the French apparently intended no further action in the Malagasy question."

<sup>1</sup> *Annual Register*, 1883, p. 217; Edouard Krakowski, *La Naissance de la III République: Chalmel-Lacour*, 297.

<sup>2</sup> *London Times*, 15 March 1883.

The French chargé in Madagascar had no influence, for his letters were received after decisions were made: Raffray to Duclerc, 13 Jan. 1883, recd. 19 Feb. 1883, *L. j. Mad.*, II, no. 4. Louis Brunet, a deputy from Réunion, asserted that de Mahy brushed aside opposition. Brunet neither identified the opposition nor cited sources: Louis Brunet, *L'Oeuvre de la France à Madagascar*, p. 17.

<sup>3</sup> Fallières to Raffray, 11 Feb. 1883, *L. j. Mad.*, II, no. 3.

Two days later (17 March) Pierre's instructions were stiffened. He was to destroy Hova control in the northern third of Madagascar, seize the customs and establish a garrison in the important port of Majunga. Then he was to obtain Hova recognition of his actions; that failing, to seize Tamatave, the only port, besides Majunga, with usable connections with the Hova capital."

The Quai d'Orsay paid scant attention to England. But why? England, it was clear, would not save the Hovas for the cost was too great. Her protests lacked vigor; they dealt with superficial issues like leases rather than fundamentals like sovereignty. She never committed herself to the Hovas. Above all, she had publicly backed down. Once, by Lord Derby's mid-December speech that England would do nothing positive; again, in March when Under-secretary Fitzmaurice declared in the House of Lords:

Her majesty's Government have throughout the negotiations shown their desire to promote a peaceful solution of the existing difficulties, and will continue to do so according as opportunity may arise. Beyond this, they are not prepared to go."

Granville himself did not raise any question until 7 April when the press and question hour led him to inquire if Britishers would be warned in case of danger." In reply, Lacour stated "quite positively that meanwhile no orders for any military operations had been given . . . ." In light of the Pierre instructions, this was deliberate misrepresentation. Through April and May the English government continued its negative policy until on 25 May came the startling news that on 7 May 1883 the French had attacked Madagascar."

So the war came. The English had failed to protect either their immediate interests or their friends. The war itself was a product of secret diplomacy, the machinations of a distant consul, and the forces and rivalries of nineteenth century imperialism and nationalism. These factors, it may be noticed, operated with a minimum of regard for the needs of the individual French citizen except, incidentally, as the pride of national aggrandizement ministered to his feelings. Rather, special interests groups forced this

" Brun to Pierre, 17 March 1883, *L. J. Mad.*, II, no. 5; Lacour to Baudais, 25 March 1883, *Ibid.*, no. 8.

" *Parl. Debates*, 20 March 1883, vol. 277, p. 936.

" Granville to Lyons, 7 April 1883, *Africa*, No. 1, 1883, no. 3.

" Lyons to Granville, 8 April 1883, *Ibid.*, no. 5.

" *London Times*, 25 May 1883.

colonial war upon the French. After two years of desultory fighting the French imposed the treaty of 17 December 1885 by which they obtained Diego Suarez and established a quasi-protectorate (1885-96) whose indefinite character was at once the triumph of Hova diplomacy and the consequence of French embroilment elsewhere in Africa and in Asia. This treaty completed the first phase in the French acquisition of Madagascar.

## Depressionless Transition to a Post-War Economy

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In evaluating the degree of successful functioning of any economic system, the following criteria may be used: (1) the extent to which the system approaches an ideal limit of full utilization of existing resources; (2) the degree to which the system displays stability of operation at high levels of output; and, (3) the extent to which the system affords to its citizens the full fruits of technical progress in a steadily rising and broadly distributed standard of living. These criteria, it may be contended, should be the lines for determination of policies affecting the management of the American public economy. That they have neither been fully accepted nor fully understood in the past is attested to by the wastage of \$200 billion of unproduced national income during the "hungry Thirties." It is the conviction of the writer that if we adopt the right policies we can avoid a return to the tragedy and stupidity of those unhappy years. It is also his belief that if we fail to live up to our possibilities, we shall be inviting the failure of our political system itself. What is going on in the world today is in large part a struggle over systems of government and of social organization which is motivated by the conflict between the promise of the machine process and the patent facts of poverty, insecurity, and inequality of economic opportunity as the customary lot of the common citizen. One need not pose as capable of ushering in the millenium to state that we are capable of greater achievement in the management of our affairs than recent history records. As scholars and as social scientists, it is our duty to provide the means of adjustment, to the extent that adjustment is possible. Those means are already in existence, and the ordinary citizen is asking for guidance. No longer will he be content with Malthus' easy answer that poverty is the result of overpopulation and the "niggardliness of Nature." And if we fail in our obligation to

the public, we shall find our citizens turning to others, who are more willing to give advice.

I should like, therefore, to sketch an approach to the problems of post-war transition by considering, first, the sort of problems which are likely to confront us; and, second, the type of policies which may lie open to us. I must add, by way of footnote, a word of caution: to the extent that we fail to control the price level during the present emergency, we shall make just that much more difficult the future task of transition, since the deflation of the price structure will then be more severe. Moreover, it must also be recognized that if the war lasts more than two years, we shall face a cumulatively more difficult problem of transition, because of the more thoroughgoing conversion of the economy to war purposes which would then have preceded the transition. In view of these reservations, therefore, it would not do to be too dogmatic about the issues of post-war transition.

Taking up first the question of the problems of restoring a peacetime economy, then, these would seem to be the immediate difficulties which will confront us. Most prominent in order of importance is the effect of the reduction in military expenditure by the Government, which involves a withdrawal of support from the structure of aggregate effective demand which will have magnified repercussions throughout the economy. At present, it is contemplated to spend at least \$56 billion on armaments in the fiscal year 1942-3, which means a monthly expenditure rate of between four and five billion dollars by the end of the present calendar year. The economy will become adjusted, over time, to the continuous injection of such large outlays, shiftable resources will become adapted to the structure of wartime demand, much capital will be permanently sunk, and the sudden withdrawal of Federal purchases would involve drastic deflationary responses from the system. Even if the reduction in arms spending is tapered off, its effects will be severe. It may be suggested that we term this problem *the maintenance of effective demand*.

Allied to this problem, but possessing special difficulties of its own, is the problem of the reallocation of resources, primary labor and capital, to meet the altered structure of demand which may be looked for with a return to peace. As the war program is now envisaged, some twenty million persons are expected to be engaged

in war industries by the end of 1942. In addition, we must allow for the absorption of perhaps as many as ten million men into the armed services if the war continues through 1943. We thus are confronted with the literally staggering problem of readjusting more than thirty million people to peacetime work during the transition period following the conflict. There is little doubt that the problem can be solved, but it can only be solved through collective attack. It is no more capable of being left entirely to individual initiative than is fire or life insurance, or provision for social security. It is a problem whose dimensions are as enormous as that of organizing a whole people for total war, and it should receive the same careful consideration, as a problem for public policy. This means, in particular, that we must accept it as an obligation of democratic government that the disbanding of the people who are making the fight possible shall be a public responsibility. Such a social overhead cost must not be shouldered off to the backs of those who will have given most of the war effort. One may even venture to doubt that, if such an evasion is attempted, and it will be, these thirty million people will accept its effects passively.

Joined to the problem of disbandment of manpower is the problem of reallocating shiftable capital. In some part, sunk capital of a highly specialized nature will have to be abandoned. Since the risks of such investment have already been collectivized through the direct public financing of plant and equipment expansion, or through the very generous tax concessions in the Excess Profits Tax, such abandonment should not be a fundamental public concern. Any well ordered economy should adapt itself to a changed structure of demand, and it is certainly to be hoped that the demand for armaments will become highly inelastic at the end of the conflict.

As for industrial capital capable of conversion to peacetime uses, we have a right to rely upon private enterprise and the economic incentive to carry through the process of readaptation. Since a part of the art of government is a skillful management of economic incentives for public ends, we might utilize such a policy in the present connection. We might allow a tax credit provision in the Excess Profits Tax, to be remitted to firms after the war to induce them to carry through a conversion program. If such a measure

were joined to a far heavier profits tax for the present, it would have the double advantage of reducing excess purchasing power during the war while strengthening effective demand when hostilities are concluded.

I can only mention briefly some of the remaining problems which are likely to be involved in transition. They are, of course, of great importance. But time does not permit me to give them extended consideration. First there is the matter of our external relations with the world economy. There is the question of capital loans for financing the reconstruction of damaged areas. There is the duty to feed the starving peoples. There is the reopening of world markets for trade and investment. Interwoven with these issues is the problem of the reconstruction of a world monetary system. An international lending organization, modelled upon the RFC, might provide some basis for attacking these difficulties, though "soundness of collateral" ought not to be the prime consideration in policy decisions for such an institution.

I turn now to a consideration of the problem of effective demand, and of the policies which lie open for maintaining it at a high level of output and economic activity. In tackling this issue, it is necessary to delve a little into income theory, that we may conceptualize the problems of economic transition and formulate methods of attack.

If Mr. Keynes "revolution" in economic analysis has any permanent significance, it probably lies in the conclusion that, Jean Baptiste Say and David Ricardo to the contrary, there is no automatic process which guarantees that income and production must expand to the limits of full utilization of all economic resources. Reduced to its essence, Say's so-called "law" of markets states that the costs of total output must equal the proceeds of sale at all levels of output. Or, in Mr. Keynes' terminology, the sum of the marginal propensity to consume and the marginal propensity to invest is always equal to unity, from which it follows that total production can and will profitably expand to the point of full employment. Now what Keynes and his followers have done is to attack the theoretical problem of what does determine an equilibrium level of total activity, a problem which Say and his later exponents down to the present time took to be solved auto-

matically by their unexpressed assumptions whose content we have just indicated. And what has resulted from the newer analysis is a conclusion directly pertinent to any consideration of the question of the maintenance of effective demand during the period of post-war transition. It is this: *our income, for the economy as a whole, tends to be adjusted to the amount which we are, as a nation, willing to spend.* If we want a high level of production, we must maintain a high level of community expenditure. This is not waste and extravagance, but the avoidance of the greatest economic waste there is—the failure to use productive capacity. This is the essence of the question, and we should evaluate questions of fiscal policy primarily in terms of these considerations.

As Keynes has formulated his determinants of the short-run equilibrium level of employment, income, and output, they come to these: the propensity to consume, the marginal efficiency of capital, the state of liquidity preference, and the quantity of money. As independent variables, they determine the rate of interest, the volume of investment, the volume of consumption, and total income and employment. Since income is defined as the sum of expenditure on consumption and upon savings-investment, and income equals expenditure and effective demand, the route for increasing effective demand involves management of the basic determinants which govern investment and consumption outlay.

Now Keynes has made popular two rather long established tenets of economic analysis which have an important bearing upon the analysis of the workings of an enterprise economy. One is the principle that investment expenditure is the dynamic variable whose fluctuations produce the business cycle, and which, when depressed, accounts for periods of prolonged economic stagnation. The other principle, a correlate of the first, is that consumption, as a function of real income, is relatively stable, and as Keynes has interpreted it, consumption increases absolutely with income, but decreases relatively. This means that there is a high propensity to save at high levels of income, and if such levels are to be maintained, there must be a high rate of offsetting investment outlay. Now, traditionally, we have accepted the principle that investment expenditure was primarily an affair of private enterprise, and is undertaken in expectation of economic returns in more or less automatic fashion, often far in anticipation of any

discernible ultimate consumer demand. Economic history reveals, however, that such investment was not so utterly "private" as the folklore now insists—land grants, for instance, had something to do with railroad construction in the United States. But this is the important point: private investment outlay, and we might include expenditures on some consumer durable goods in this category, is postponable and unstable in character. Such expenditure is particularly subject to prevailing psychological attitudes towards the future. It is a precondition, therefore, of any public policy directed to the stabilization of a high level of effective demand that the institutions of government be utilized to neutralize the depressing effects of this highly unstable private investment expenditure, in order that effective demand may be maintained. It may also be ventured that the experience of the experience of the Thirties suggests that we cannot rely upon a volume of continuous and automatic private investment sufficient to guarantee the absorption of all the community would like to save at high levels of income. The validity of extrapolating from the Thirties depends, of course, upon the extent to which one is convinced that the structure of investment opportunities in America has been fundamentally altered in recent times. I am working, frankly, from the assumption that some degree of capital saturation now confronts us for the first time in our history as a nation, and while I am ready to concede that the outcome of the war will have some bearing on the persistence of such a condition, I shall use this premise in discussing public expenditure during transition and after. Stated concisely, I assume that no policy of stabilizing the national income at high levels can succeed if it does not accept the compensatory and supplementary role of Federal fiscal policy as a stabilizing instrument.

This much may be suggested with respect to fiscal policy. Past wars suggest that the end of conflict usually involves the appearance of a large backlog of postponed demand, both for capital goods and for durable consumer goods. These may be termed the "automatic" stimulators to effective demand which might be expected to follow the war. Taken alone, they are not likely to make up for the deflationary effects of the reductions in armaments expenditure and the demobilization of manpower in the war industries and the armed forces. If we are to maintain our

national income at high levels, and if we can do it in wartime we can do it in peacetime as well, we must maintain a high level of aggregate expenditure. In sum, this means that we must take up the slack left by decreasing war expenditure by expanding consumption outlay and peacetime gross capital formation. Let us consider the possibilities which confront us in this connection.

To secure the goods of war, we have expanded the aggregate output of the American economy as a gross magnitude, and we have altered its composition. The gross national product which our total outlay, governmental and private, is now purchasing is composed of war goods, capital goods, and consumption goods. We are now engaged in an effort to transfer economic resources to war production by curtailing the output of consumers' goods and ordinary capital goods intended for replacement and expansion. Our real volume of consumption goods will fall perhaps by 12% in fiscal 1942-3 as against calendar 1941 levels, and perhaps by another 13% of 1941 in calendar 1943. The bulk of the initial cut will fall on consumer durables, and when the war ends, the volume of consumption expenditure will possess great possibilities for expansion in this direction, probably relatively more than gross private capital outlays. Both components must fill the gap left by a falling output of war goods during transition, and fiscal policy during transition must aim to bring this about.

To increase consumption, several possibilities confront us. Direct stimulators may be found in consumer credit, in the remission of credits under an enlarged wartime income tax on personal incomes, in the liquidation of defense bonds, in the removal of controls over the wage level, in the removal of excises on consumers' goods, in the reconstruction of the national tax structure to eliminate its present highly regressive character, and in the enlargement of the social security program to provide larger old age benefits, health insurance, and unemployment provisions. To these may be added policies aimed at the prevention of the deflation of consumption incident upon demobilization. In particular, it should be a national responsibility that severance pay and adequate unemployment compensation be provided to displaced workers during the conversion period. The members of the armed forces should receive some similar provision, and their release should be staggered as far as is politically possible, to cushion the shock. The removal of heavy

wartime income taxes must also be considered to be a part of the program.

There remains the problem of maintaining investment expenditure. Clearly, we have involved here a number of possibilities for making additions to our national capital which, in no logical sense, can be regarded as "wasting" money. They represent our opportunity to build a greater America. There is, at the head of the list, of course, housing. To date, we have utterly failed to provide adequate housing for those who need it most. In addition, there is another old stand-by which always receives pious approval in theory, but gets studied neglect in practice—I refer to the conservation of the national domain. So long have we, as a highly individualistic people, thought in terms of personal private property, that we have overlooked the common property which we own as a people. The priceless assets of productive soils, water power, timber, coal, and oil can become major outlets for wise and conserving public expenditure. Our private accounting insists that we avoid the consumption of capital, but as yet we have no national accounting, and our neglect of wastage of national assets must be made up. Such expenditure is never "wasteful" when performed by a business enterprise, nor should it be so described when performed for the public enterprise. Too long have such proposals been wrongly stigmatized as throwing money away by those who judge the utility of all investment by its capacity to yield monetary returns.

Then there is the rehabilitation of our transportation system. Our railroads alone will require large amounts of new motive power and rolling stock to make up for the deferments imposed by war, and even more, for the niggardly and short-sighted policies of the Thirties. One is tempted in these days to ask how different the present state of war production would now be if the suggestions of the "impractical visionaries and theorists" who suggested a motive power and equipment pool in the summer of 1939 had actually been heeded, in place of the recommendations for false "economies" in the Federal budget which actually did prevail.

Other types of public investment are also available. The National Resources Planning Board has compiled a whole file of local community public works projects. There are untold possibilities for further regional schemes of the TVA type. Our national high-

ways need to be rebuilt along engineering lines, and there remains a broad need for rural electrification. The problems of soil conservation and the resettlement of our surplus farm population will have to be tackled.

In reviewing the question of effective demand, I have said little about timing. Clearly this is a matter of considerable complexity, and one which cannot be assessed *a priori* because it interlocks with the pattern of transition itself. If we get a temporary post-war boom, stimulated by dammed-up postponed outlays on consumption and investment, some parts of the expenditure program can be deferred until the signs of a serious slump appear. If this should set in early, then the program will be one of heavy injections of public expenditure, but for peace rather than for war. In large part, this is a matter of administrative judgment, and because of its involvement with legislative sanction of appropriations, it is no easy one to solve. In a democracy, the legislature ought to have final authority over expenditure, but the administrative branch should have some degree of discretionary latitude of effective decisions of timing are to be made. As for the magnitude of the necessary outlays, they will depend upon the state of our productive capacity, our savings and consumption habits, and the prospects for private investment following the war. Exhaustive studies of these problems ought to be undertaken as soon as possible, for in considerable measure predictions ought to be capable of being made, and some guides to policy when the war ends will be invaluable.

Another problem which gives occasion to justifiable public concern is, of course, the public debt. In the past we have tended to look upon all public borrowing as fundamentally wasteful and fraught with dangerous consequences. Recent re-examination of the question has enabled us to appraise all debt in its proper significance: *as an aspect of expenditure itself*. Now if it is desirable that expenditure be high enough to insure a high rate of utilization of economic resources, then debt expansion of *all kinds* must be considered in considerable measure with relation to the degree of under-utilization of resources. But since, in the case of public debt, a considerable part of the offsetting expenditures involved will not directly be self-liquidating in character, there

arises the issue of the burden of the interest rate. Now, as Pigou has pointed out, interest on an internally held public debt is a transfer, and not an exhaustive, expenditure, since there is no appropriation of real resources involved. It is not to be suggested, however, that the national debt can rise freely without limit, or that the transfer problem involves no important difficulties. It can be argued, however, as Hansen has suggested, that the question of the wisdom of expanding the public debt must be examined in relation to certain other factors, such as the degree of utilization of existing resources, the relative importance of interest payments in the total Federal budget, and the trend of real income and productivity. In the light of these considerations, it is clear that there need be no fixed and ultimate limit to the debt. Nor is there ground for insisting that the debt must be paid off entirely. The Government is not an individual, and it need not go bankrupt by expanding debt if these other factors are also considered in policy decisions.

Increasing the public debt, nevertheless, is not a matter to be taken lightly. A growing interest burden must be considered in connection with such matters as tax capacity (so far as the concept has any meaning) and the degree to which the debt is distributed over the population. In this connection, it must be recalled that the expenditure of proceeds raised by floating more debt with the banks operates to enlarge tax returns and taxable capacity. It is also possible for us to increase our tax capacity by alterations in tax structure. In any case, the public debt must be regarded as an instrument of fiscal policy, and its functioning should be evaluated in line with the requirements of fiscal policy, requirements which in great part must involve the stabilization of total effective demand at high levels of activity.

This brings our discussion of transition to a close. We make no pretense of having considered all of the critical economic problems which this war and its aftermath will involve. The extent to which we are entering a period of administered economy, as a substitute for the more or less traditional system of free pricing and economic incentives, has not even been touched upon. The possibility that we are facing currently a serious inflation, whose effects will have to be worked off when the war ends, has not been dealt with. But we have endeavored to point out lines of policy

which do offer us the prospect of stabilizing effective demand for output at high levels. We cannot be dogmatic about their ultimate success. Nor can we overlook the fact that risks and uncertainties are always involved in any attempt to manage, even indirectly, the affairs of men. Up to now, however, the proponents of fiscal policy as an instrument for implementing economic welfare have allowed themselves, unnecessarily, to be placed upon the defensive by the charge that they seek to experiment, irresponsibly, with human beings and to violate the canons of "sound" economics. The essence of "sound economics", under this view, is usually that the savings of the community can only be safely invested by private hands, that profitability alone justifies such expenditure, and that a balanced budget must at all times and for all conditions be the proper rule for Federal fiscal policy. In rebuttal, it ought to be remarked that the advocacy of this doctrine as the "sound" alternative also involves experimentation, and presents no greater guarantee of success. In these times, moreover, the life of democracy itself is the subject of the experiment.

# **The Special Assessment District in Arkansas<sup>1</sup>**

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The use of small, inefficient, and inequitable special assessment districts has caused most serious financial difficulties in Arkansas. Default of the state debt during the Great Depression was due almost entirely to the debt burden of such districts.

A special assessment district is one formed for a specific purpose, such as the building of a stretch of road, a park, or some other improvement. Theoretically, the land within the area will benefit from the improvement in terms of increased value. Also theoretically, assessments are levied against each tract of land in the district exactly in accordance with the extent of benefit of that tract from the improvement.

Special assessment districts to build levees were first authorized by the Arkansas General Assembly in 1849. In 1869 the General Assembly added drainage to the functions which could be performed by levee districts and later authorized the establishment of drainage districts as such. Municipal districts were authorized in 1881, rural fence districts in 1891, and rural road districts in 1907.

Today, Illinois and Missouri are the only states in the union with more special governmental units than Arkansas.

Total outstanding debt of all improvement districts in Arkansas, rural and urban, was \$34,547,782 in 1940, of which \$3,436,751 was in default. This was approximately nine times the total debt of the 300 city governments; it was about seven times the debt of the 75 counties; and it was about equal to the combined debts of all the cities, counties, and school districts. During the 1920's the indebtedness of local improvement districts was many times the

<sup>1</sup> Read before the Government Section of the Southwestern Social Science Association, April 4, 1942, Dallas, Texas.

<sup>2</sup> The data presented in this paper were gathered while the author was Assistant Professor of Rural Economics and Sociology, University of Arkansas College of Agriculture, Fayetteville, Arkansas.

indebtedness of all other governmental units—state, county, city, and school. Not until the state government had assumed the road improvement district debt of approximately 65 million dollars did the outstanding debt of the state government exceed that of local improvement districts.

In 1937 a total of 658 improvement districts levied assessments of \$5,613,232 in Arkansas. In the delta counties, where there is a concentration of drainage and levee improvements, the amount of annual assessments charged by improvement districts in some of the counties is greater than the combined amount of the general property tax levied on real property by the state, the counties, the cities, and the school districts. For instance, in 1937 these four levels of government levied only \$91,049 in property taxes in Chicot County, while the rural improvement districts in the same county levied \$191,291 and the urban districts \$13,114, or a total of \$204,405.

Until 1909 the county governments did all the road building and maintenance in Arkansas. This work was financed by a property tax levied on real estate in the county. When the automobile came, it took little foresight to see that road building was at least a state-wide job, but "local self-government" had to be preserved at any expense, and the special assessment road district resulted.

Between 1909 and 1915 a number of small road districts were organized at various places in the state, principally by special act of the General Assembly. It should be noted that the body which formed the special road districts had sufficient power to remedy the situation from the beginning, but failed to do so, principally because of the prevailing philosophy that democracy could be preserved only if it came in small packages regardless of the economic consequences.

The 1916 General Assembly passed the Alexander Road District Law, providing uniform procedure for the formation of road improvement districts. By the end of 1916, 120 districts had been formed under the act. However, this did not stop the avalanche of special acts creating districts. The 1919 regular session of the General Assembly created 133 new districts; a special session in the same year filled two volumes each more than 3 inches thick with charters, which were later invalidated by a court decision. From 1913 to 1920, 504 special acts were passed creating 312 dis-

tricts exclusive of the invalidated acts of 1919. There was little or no state supervision, so the commissioners of the road districts built the "highways" as they chose. The quality and width of the pavement varied from district to district, and if roads in adjoining districts connected, it was purely coincidental. Roads were a fine thing, and no road commissioner's property could be without one, even if a bridge had to be built across a stream and back again. In many instances excessive fees were paid to engineers and lawyers.

When the state government started receiving federal aid funds, the philosophy of local self-government still prevailed and the funds were largely distributed to the counties and local districts.

The situation became so bad by 1923 that the Secretary of Agriculture suspended federal aid. A special session of the General Assembly passed a new law reorganizing the State Highway Department. Under the new arrangement about one-third of the State and Federal funds was to be used by the State Highway Commission for the construction of highways, and the remaining two-thirds were distributed about equally between the counties and the road districts.

During the fiscal year 1934-35, \$12,929,107 was spent by the state, county, and local road districts on highways. Of this amount, \$7,684,035, or 59.4 per cent, was expended by the road districts, \$3,056,071, or 23.6 per cent, by the state, and \$2,189,001, or 17.0 per cent by counties. The road districts levied \$4,447,252 of special assessments on real estate within the districts.

A reaction against such a haphazard system was inevitable. The result was the passage of the Martineau Road Law of 1927, whereby the state assumed the responsibility of meeting annual payments on \$64,123,600 of road bonds, representing 417 separate bond issues of 257 road districts in 61 of the 75 counties of the state. It should be noted that the state did not assume the bonds; it merely agreed to pay the annual maturities so long as funds from state sources were available. It should also be noted that the formation of new road districts was not forbidden. And again, it should be noted that neither did the state have a highway system!

Between 1927 and 1933 the state government issued about 70 million dollars more bonds to build a highway system. The 65

million dollars of road district bonds plus the 70 million dollars of state bonds to build a highway system led directly to the default of 1932.

In 1928 and 1931 the state extended aid to certain municipal and suburban road districts; in 1938 the state agreed to pay the maturities of bonds issued by five bridge districts; in 1939 thirteen rural road districts, formed *after* the Martineau Road Law was passed, started receiving aid; and in the Refunding Act of 1941 additional aid was extended to municipal paved districts.

In the Refunding Act of 1941, the state finally, assumed the obligations of the old road districts. The rural road districts formed since 1927, the bridge districts, and the suburban and municipal districts are to receive funds only if the income from state highway fund sources is greater than 13 million dollars. The income to this fund was about 15 million dollars last year. It is not beyond the realm of possibility that restricted use of personal automobiles will reduce income from gasoline taxes and automobile licenses below 13 million dollars during the current fiscal year, thereby placing the burden of assessments in a number of districts back on the land.

While the major problems of the road districts have been solved by the state's assuming the indebtedness and road maintenance, problems associated with the rural levee, drainage, and fence districts, and urban districts, involving coordination, fiscal management, and equitable distribution of cost to property owners, still exist.

Soon after the Civil War, the people living in the lowlands along the Mississippi, St. Francis, White, Arkansas, and Red rivers began forming levee and drainage districts to protect their lands from floods and to drain the fields. Much of the land in these areas is the most fertile and productive in the state. Today, there are 262 of these districts in Arkansas located in 39 of the 75 counties. Of the 8,738,195 acres, in the aggregate, included in levee and drainage districts, 3,304,390 acres are in two or more overlapping districts, leaving a net area of 5,433,805 acres of land in district boundaries. Five counties have more than 80 per cent of their area located within the levee and drainage districts. In two counties, Mississippi and Crittenden, the only parts of the county not in at least one levee and drainage district are those

areas outside the levees along the Mississippi and St. Francis rivers.

Levee and drainage districts in Arkansas had a total debt of \$21,392,176 outstanding in 1940. Of this amount \$18,886,920 was unmatured and \$2,505,256 in default. The percentage of levee and drainage district assessments not paid when due increased from 24.4 per cent in 1928 to 72.5 per cent in 1933, after which it decreased gradually. It was still 36.0 per cent in 1939. Rural districts with annual assessments of less than 20 cents per acre had 31.3 per cent of their assessments delinquent in 1937, while those with \$1.50 and over charged per acre had 86.7 per cent delinquent.

Fourteen fence districts with an area of 564,480 acres have been formed in six counties. A fence district, in addition to forbidding the running at large of stock within the limits of the district, contemplates the construction of a fence around the district to afford protection against stray animals lawfully running at large in territory adjacent to the district.

There were 440 urban improvement districts with debts outstanding in 1940, in addition to several hundred that have been formed to construct some improvement but have since retired the original indebtedness. Urban districts can be formed for any of about 15 different purposes, such as fire protection, water facilities, light plants, sewers, parks, sidewalks, etc.

The special assessment district in Arkansas, both rural and urban, is typically a governmental unit, small in area, almost completely independent of all other state and local governments and of other districts established for parallel purposes, and lacking in lines of responsibility between the governing commission and any controlling agency or group. For all practical purposes, neither the state, the county, the city government, nor the people has any effective means of control over improvement district affairs.

While the county and circuit courts, which authorize the establishment of rural districts, are properly qualified to adjust grievances presented by property owner within districts, they could hardly be expected to have adequate qualifications to pass judgment on the scope and engineering feasibility of levee and drainage projects.

Levee and drainage districts, initiated by local property owners,

tend to be formed among the "neighbors." Often district boundaries are drawn around a social or trade community rather than around a completely drainage area. However, almost all drainage and flood control problems are intercounty in nature and some are interstate.

An example of the difficulties which local districts encounter in attempting to solve an interstate problem in drainage is furnished by the Eudora-Western Drainage District in Chicot County. This district was formed with the intention of extending the main ditch of the district about 5 miles into Louisiana. After the district was formed and the construction work had begun, the district commission started proceedings to acquire the right-of-way for the extension of the ditch into Louisiana. Property owners in the Louisiana area, however, refused to sell land for the right-of-way on the ground that it would merely increase their flood problem. Today, the main channel dredged by the Eudora-Western Drainage District stops abruptly at the Arkansas-Louisiana boundary line. The improved drainage facilities on the Arkansas side deliver a larger volume of water at the state line than the natural drainage outlets on the Louisiana side can carry. The result is that, at flood stage, the water accumulates and overflows a considerable area in both states. This problem could be solved by proper coordination.

The small districts have usually employed technicians on a part-time basis. Typically, a lawyer and an engineer are employed. The persons employed for this service vary from highly competent to incompetent. Commissions seldom employ agricultural technicians to advise them on soil qualities and potential economic land use in proposed districts. Because of this, little attention has been given to the ability of the land to support the cost of the project. The problems of attracting new settlers to the area and adjusting them to the environment after settlement have also been largely ignored. The assessed benefits often have been arbitrarily determined, with little or no attention being given to the present and possible future agricultural uses of the land. The charge per acre is frequently uniform irrespective of land quality or economic betterment.

This district commissioners in drainage district formed by the court under the general law can only be removed after a petition,

signed by a majority in value of the property owners, has been presented in the court. Such owners might vote at an election to oust a commissioner but are always hesitant to sign the petition for removal because they "just hate to place the stigma on John Doe." A number of instances have occurred where the members of a district commission have lost the confidence of the people of the area but have refused to resign. Some drainage district commissions established by special act of the General Assembly were given the power of self-perpetuation.

County officials are not in a position under the law to exercise control over the administration of levee and drainage districts. In one county, the quorum court at the behest of county officials has passed a resolution every year for the last several years, calling upon the secretary of one of the districts in the county to file an annual report. He has consistently refused to obey, and is still defying the county officials.

In some instances, district secretaries have diligently kept the records and conducted district business efficiently and economically. However, because the secretary is as far removed from effective control as the district commission, often the work is not well done. Although the law requires that the secretary file an annual report with the county clerk, no means for enforcing this requirement is provided. Most secretaries do not file such reports. Neither the law nor any government agency provides report forms, so that those secretaries who do file reports interpret the requirements in various ways. Some file a one-half page report consisting of a mere summary, while others file a 40- to 50-page audit made by an accounting firm. Audits are not required by law and few districts have such audits made. Typically, districts have not been audited since they were formed.

Well-kept accounts are found in some districts, but often the accounts consist only of checkbook stubs, loose slips of paper, or rest in the memory of the district secretary. Typical of the comment of workers on the project gathering data for this study is the following: "Early records have been misplaced or lost and since the present secretary has had charge, no intelligible records are available. The information given was received from the secretary from memory." Illustrative of the same problem is the following statement of another worker: "The information in regard

to this district is very incomplete but it has been impossible to get more. I have been sent from one person to another for information and no one seems to have any knowledge of the affairs of the district." Still another statement of a worker typifies the problem: "The secretary of this district does not want the job, and, therefore, has filed no report since 1932." The 1934 Biennial Report of the Arkansas State Comptroller cited that improvement district commissioners commonly were not familiar with bookkeeping methods and did not appreciate the necessity for evidencing their official meetings by written resolutions. The report concluded that district affairs were usually transacted "informally."

As the annual assessments in most districts are collected by county officials, the district commission usually feels no responsibility for careful scrutiny of collections.

Usually the work of filing the foreclosure proceedings against the delinquent lands is turned over to the county chancery clerk, who is not an official of the district. Only a few districts have a vigorous policy in this respect and diligently follow the proceeding to assure compliance with all the requirements of the law in the foreclosure process. If the proceedings are not adequate and complete, the title of the district to delinquent lands is of no value and payment of district assessments soon becomes voluntary. Most of the districts have no positive policy and program for the handling of lands to which the district has acquired title through the delinquency process. This problem is partly a result of the cumbersome foreclosure process, which seldom gives the district a clear title to delinquent lands.

The law providing for urban improvement districts is permissive in character. As a result, each district is an independent entity and no regular agency is responsible for a positive and continuing program with respect to district matters.

District commissioners are appointed by the city council but can be removed only by a two-thirds vote of the council. Thus district problems are not usually called to the attention of this group until an acute stage has been reached. Urban district commissions appoint their own secretaries and collectors, giving rise to myriads of such officials. Property owners are confused by the necessity of making payments in several different places.

In cities with the Commission form of government, the city com-

mission is automatically the district commission for all municipal districts. Under this system, the city government is more directly charged with the responsibility for improvement districts and can be held to account for their actions at election time. Furthermore, collections and accounts are centralized in the city hall, eliminating some of the confusion of multiple district commission offices.

Although the law requires urban districts to file annual reports with the city clerk, few district secretaries comply with the provision. The law provides no effective penalty for failure to file the report. Accounts, typically, are nonexistent, and few urban districts are audited annually.

On some occasions, the engineers employed by the district commissions, having no direct interest in economy, have suggested more elaborate improvements than needed. In one case, a highly recommended professional engineer was employed to make the plans for a paving district. When the plans were completed, the cost was set at \$18,000. A commission member questioned the thickness of the pavement and also pointed out that too much steel was being used in the culverts. After consultation, the engineer admitted that pavement adequate to carry all present and prospective traffic on the street could be constructed with less concrete and steel. He reduced the cost to \$13,000. The property owners saved the \$5,000 original cost and also the hundreds of dollars which they would have had to pay in interest on the additional bonds. Although this instance may not be typical, it is illustrative of incidents which go unnoted in many districts because no continuing, competent governmental agency is charged with the supervision and coordination of such work.

For a better coordination and administration of rural districts, present evidence indicates that the state should establish a department of local government with adequate powers to disapprove the formation of districts, require coordination of area served, supervise the administration, make audits, establish uniform accounts, require annual reports, approve and readjust assessment schedules, and control debts. As most of the rural districts have as their principal objective the control of water in the lowlands, the state agency, established to better the improvement district situation, should have sufficient powers to completely coordinate the protection and drainage efforts of all the areas in the state subject to

such problems.

Federal assistance already extended by the Reconstruction Finance Corporation and contemplated in post-war public works should have additional "strings" attached to see that the funds are not spent uneconomically by the districts.

Nothing constructive can be accomplished toward the solution of the problems of drainage, flood control protection, highways, rural poverty, and a number of other important aspects of our economic and social system until we thoroughly realize that our political organization must be adjusted to cope with economic and social problems on a geographical basis conterminous with the problem.

# Economic Analysis of Current Programs For World Reorganization

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Practically all programs for reshaping the scheme of things after this war make a point of the fact that national sovereignty has outlived its usefulness and must go. Sovereignty is no doubt as mischievous as represented by its critics, however precious the average man may still hold it. It is one of the remnants of feudalism and belongs to that scheme of life in which the irresponsible monarch's word is law, where the virtues of the warrior class lie at the core of social interests, and where men are artificially graded along lines of mastery and servitude. The sentiments which support sovereignty are passionate and unreflecting loyalty to the pretensions of the local we-group; the prestige of this conflict group is proportional to the humiliation it inflicts upon its rivals. This attitude is older than European feudalism, of course; Elijah felt this sentiment when he produced bigger magic than the prophets of Baal and earned the satisfaction of slaughtering them all. The beginnings of this sentiment may be found in many a so-called primitive tribe whose name for any outsider is "enemy." Sovereignty is not only a hangover from a decayed past, it is in many respects a hangover from an alien past, the loss of whose values we consider good riddance.

It has sometimes been said in defense of nationalism that the period of nation-building of early modern times cleared away petty provincial obstacles which prevented the growth and utilization of modern industrial equipment. That is no doubt true. The permanent achievement of middle class revolutions was not the wiping out of class stratification in favor of liberty, equality and fraternity; in a sense, their most important result was the introduction of the metric system throughout the land. It is equally true, however, that sovereignty was the cure for ills of its own creation; the unification accomplished by the wars out of which nations emerged was necessary because of the spirit of sovereignty

and military anarchy which obsessed Europe in the previous feudal era.

The spokesmen for a better world order also point out that the notion that sovereign powers have the right to define where their vital interests begin and end creates chronic disturbances in the modern industrial order, that it is inconsistent with the needs of modern economic life. Modern technology has cut across national boundaries and knit the industrial regions of the world together into a relatively interdependent economic whole. Seen from the point of view of facilitating the operation of the industrial system it is essential to coordinate the whole concert of industrial processes and this is impossible so long as sovereignty continues. Nations cannot obstruct the specialized and interconnected industrial order without diminishing their own as well as other peoples' level of efficiency. No matter how great the gains of special interests from obtaining obstructions at the national frontier they are insignificant compared to the losses they inflict upon the community at large. If this section of the country had the power to keep out cheap foreign products from Detroit it would not be better off but worse off, and this is equally true of the larger industrial community.

The integral relationship of the conquest state, sovereignty and authoritarian rule is familiar to all of us as being a dominant feature of past military civilizations. The values appropriate to this scheme of arrangements have lost much of their ability to carry conviction in modern democratic communities. Notwithstanding this fact, sovereignty is as formidable a notion to cope with as ever. This is the case because sovereignty has been reinterpreted and made to play a role in modern economic practices. Economic groups struggling to engross foreign markets, resources and investment opportunities must have the flag follow their dollars if they are to succeed in these enterprises. Although this has been known a long time, its implication for the traditional theory of harmony has not been faced squarely. It is clear that economic expansion is more imperative today than ever before, even if it involves the risk of war, and the question why this should be the case is demanding attention.

The dislocations caused by sovereignty are only a part of the larger problem of the crucial unbalance which has arisen because

we have undergone rapid changes on the material side of our culture while remaining relatively static so far as the retention of the non-material side of our culture is concerned. We have held stubbornly and faithfully to our cultural heritage of customs and beliefs and so have reduced the efficiency with which society can function. The old belief that we had the true formula for indefinite progress has been destroyed by the economic, political and social crises which have now come to be "normal." We continued to think in terms of eighteenth century ideals of political liberty and economic individualism; meanwhile, the practical affairs of political and economic life have been carried on by groups who have found economic and legal customs sufficient to their purposes of gathering up most power into their own hands. The process of concentration of power, has moreover, been tremendously accelerated by the rise of modern large-scale methods of production. Notwithstanding political suffrage and the fact that there is an enormous difference between modern democratic communities and earlier authoritarian societies, the end result of this concentration has made the inherited ideals of political and economic freedom illusory.

Even economists have continued to expound the doctrine of economic individualism long after it has disappeared as a consequential part of modern life. Modern developments in the machine process and in the practices of large businesses have broken down the old liberal-democratic structure. The spectacle of economists evading these facts by shifting categories and dilating on monopolistic-competition, now the rage in some quarters, is an interesting example of the principle of apostolic succession in economic lore. A minority controls the employment of millions of people and, in large measure, determines the degree of security or precariousness under which they live; a minority controls great areas of the price system and exercises an enormous influence over the distribution of the national income. So great is the concentration of wealth and power that policies intended for private gain become decisions of public policy. Contrary to what was naively thought by former generations, we are learning that private advantage and general welfare are not synonymous. On the contrary, Veblen's point, that the gains of business men are proportional to the extent of the disturbances they create in the economic system, carries a

much more realistic ring today. The relatively unrestrained economic liberties enjoyed in democratic countries have culminated in the economic disorder which are so persistent in our era.

We have relied upon established customs of distribution as between individuals and nations, customs which have come down to us out of a past that did not know modern machinery. These modern machines are embarrassingly productive in a distributive system such as the one we rely upon. Machines can be kept going only provided their products can be placed in the hands of people who will consume them; if this is not done the round of internal economic dislocation, followed by international dislocation, is set in motion. Important changes in the direction of closing the gap between our outworn economic customs of distribution and the requirements of the modern industrial order will unquestionably have to come first if we are to lay aside international anarchy. It will be necessary to reconsider what so-called economic liberties are essential and what are disastrous to an orderly and stable world. Heretofore, established and relatively unrestrained economic activities have been traditionally identified in people's minds as synonymous with economic progress and liberty. But these ready-made definitions, having their origin in sentiment, have restrained and inhibited the appreciation of developments which call for considerable readjustment of custom. So while we have continued to sing the praises of the major folkways we have continued, uncomprehendingly, to sink deeper into the mire of chaos. The events of the past number of years—economic warfare and universal depression, finished off with armaments and military warfare—are not due to external phenomena alien to civilized institutions. Quite the contrary, they are the logical culmination of patterns lying at the core of the economic institutions we have glorified as the ultimate source of welfare. If the would-be reorganizers fail to appreciate this fact their plans must be written off as futile.

When we turn to a consideration of the programs of the latter-day liberals or internationalists we find a variety of shades of opinion; some of them emphasize this aspect and others emphasize that, but the differences between them are of degree rather than kind. The liberal tradition, formulated in the eighteenth century,

has run uninterruptedly, and with only slight modification, to our own time. In economic thought the substantial outline of this hope and philosophy was presented in Adam Smith's *WEALTH OF NATIONS*, and elaborated by his successors. The law of comparative costs showed that from the point of view of economic advantage, territorial specialization, international free trade, and identity of interests, was possible and desirable. Contrary to mercantile assumptions, exchange was a process in which both parties gained. It was believed that the universal acceptance of this principle was inevitable among rational and self-interested beings and that its acceptance would eventually usher in a reign of international amity. Geographic specialization would bring about such interdependence that it would eventually become impossible for nations to resort to war. The first world war sent this faith reeling and showed that the tide of economic and political forces was running more strongly in the opposite direction than ever. Today we can see that the brief and partial acceptance of the internationalist's program in the nineteenth century was not due to the intellectual conversion of societies to the laws of comparative advantage but to the temporary circumstances which made its application possible: the industrial immaturity of nations other than England, the opening up of frontiers in many parts of the globe, expanding populations and markets, an abundance of investment opportunities for the accumulators of capital funds, and quick profits in as yet undeveloped regions. Interest in warfare has remained nearly as high in our society as in feudal society, and since nations have wanted to become modern military powers they have duplicated each other's industrial plants without regard to general economic welfare. Many factors are responsible for the survival of nationalistic ill-will, among them being that imperialism and mercantilism are still profitable to particular business interests; hence, a powerful part of business throws its weight on the side of conserving these ancient patterns.

Faith dies hard and the rationalistic logic of the eighteenth century point of view concerning political and economic organization is still more popular with amateur and professional advocates of world reorganization and security than any other. Many of them call for some coalition which should take the form of a federation, although scrupulously maintaining sovereign rights and reserving

all important issues to the respective nations. Some favor the retention of the league of nations with its powers strengthened, as, the abolition of unanimous agreement in favor of majority rule. Other and more popular plans call for more important sacrifices of sovereignty in favor of union either among the democratic nations or among all the states of Europe. Streit's widely publicized plan called for a common union government and defense program, free trade, and a common monetary system for the democracies. The more timid planners usually place their reliance on education for the spread of good feeling among nations. The latter feel that the appeal to reason has justice and truth on its side. Before the outbreak of war they were frequently heard contending that the underlying populations in the totalitarian nations could be won over by an appeal to reason. While such a line of attack would not be wholly ineffectual under certain circumstances, it displays a misunderstanding of the events that brought on the war and of the cultural values which appear as every-day common sense to the opponent. Beliefs are held not because they have the support of reason but quite apart from any such consideration; they are matters of sentiment. Of similar merit are the proposals of those who place their faith in the creation of appropriate legal machinery for the adjudication of disputes between nations, and in the education of people to their acceptance. These legalistic proposals usually team up the moral principle of justice, conceived in absolute and eternal terms, and the court machinery through which the truth-seeker, the jurist, carries on his search. The faith of the legalistically-minded in the formalism of the law would seem to be the same sort of shortcoming which formerly inspired faith in the Ark of the Covenant.

Some of these plans place reliance on power as a deterrent to wars. Streit's plan for union contemplated a modification of the old balance of power, with the democratic nations holding sufficient potential military superiority to keep the so-called "autocratic powers" in permanent check. The fact that democratic statesmen had unsuccessfully tried this formula escaped him. Most of these plans call for the creation of elaborate and ingenious political and legal machinery. Their authors place reliance on the machinery to bring peace rather than in alterations of prevailing institutional habits. They are usually unable to show that their machinery will

prevent a reversion to the old balance of power. During the post-war era the statesmen of the major powers found a convenient formula for paying lip-service to the league of nations by packing it with sincere idealists who worked and talked for international cooperation. The statesmen, meanwhile, ran the affairs of state according to the tried and familiar patterns of pre-war days, which is to say, along lines of international anarchy and cross-purpose.

These liberal plans will, in all probability, only permit breathing space between wars. Although they may call for more renunciation of sovereignty than the average patriotic citizen and statesman would approve of at present, they, nevertheless, contemplate a minimum of sacrifice on the part of the privileged powers. The established political and economic institutions in the democratic nations are to go on as usual except that the benefits of their systems are to be carried, like all other white men's burdens, to other people. They are inclined to accept the idealizations of liberal-democratic society at almost declared value and to find fault with other people who are not as we are. It is easy for them, as for most people, to recite the political slogan that democracies are governments of, by, and for the people, instead of seeing them as governments by politicians for the benefit of whatever pressure groups can muster the greatest pressure. It is easy for them, as for the rest of us, to accept at face value the presumably scientific economic doctrines which have validated established economic custom. Believing in inherited institutions, they have felt society's need to be the acceptance of the gospel of rationalism which justifies them. Like the moralists, they have conceived of international salvation in terms which make it unattainable. They have permitted fine sentiments and sincere hopes for peace to crowd out the obligation to inquire critically into the sources of disharmonies; consequently, their plans retain the highly prized spiritual values which perpetuate disorganization and so, unwittingly, sacrifice human life to vested interests.

They are right in proclaiming the egregiousness of nationalism, but it is not enough to preach that sovereignty must go. It is necessary to see that international rivalry and conflict are an outcome of activities which spring from the core of established economic beliefs and customs. In order for plans to be of any merit they must indicate what modifications of beliefs and customs are

required and possible. The removal national barriers would permit the more intelligent utilization of economic resources, but would not touch the major economic difficulty: the distribution of goods. Our present difficulties are linked in a vicious circle, and each step gets its drive from the condition which precede it. We have idealized customs which are sentimental in origin and so have held on to a relatively static institutional structure in the face of a rapidly changing material environment. As a result, we have made no satisfactory provision for markets which can absorb the whole output of modern industry. Failure to provide this essential, the need for which would have been obvious but for the fiction that business savings are productive and must not be molested, leads to collapse of the internal economy. Political insecurity follows on the heels of economic failure and leads to armaments building, armaments races, and intensification of all of the difficulties that culminate in war.

The foregoing plans for reorganization are up-to-date chronologically, yet obsolete from the point of view of intellectual preconceptions. By contrast, it is interesting to consider briefly Veblen's *INQUIRY INTO THE NATURE OF PEACE AND THE TERMS OF ITS PERPETUATION*. It is not current, for it was written a quarter of a century ago, but it is without rationalistic assumptions and is almost as pertinent today as it was in 1917. Modern nations cannot live in security under any liberal-democratic plan which calls for a coalition of nations along lines of a balance of power, defensive armaments, and peace pacts, he maintained. The techniques of modern war make that impracticable, for they throw the advantage to the nations which prepare in advance for the offensive. The devices upon which the statesmen of democratic nations have placed their faith for preserving peace have long since proven fanciful. The only alternatives are reorganization under the dominion of the imperial (hereafter called "totalitarian") nations, or under that of the formally democratic nations. No compromise between these two will prove effective.

If the leaders of the totalitarian nations should dictate the terms of the new order, we could expect it to resemble that of the Roman Empire, i.e., it would call for complete submission. The totalitarian powers could be counted on to continue their wars of conquest until

every potential rival had been eliminated—manifest destiny dictates it. The subject peoples would, of course, be exploited, but it would be long-run exploitation according to the principle of charging all the traffic will bear. This matter of exploitation has alarmed unreflecting people unduly; they have been led to believe that it would greatly increase the economic burden the subject populations would have to carry. The burden would be heavy, indeed, but the material costs already carried by the general public should be weighed against those prospective costs of living under military rulers. Once the major totalitarian power, Germany, had eliminated its competitors, a considerable reduction in total military expenditures could be anticipated. At present, a large fraction of the total economic wealth of all modern communities is devoted to maintaining separate sovereign powers with their respective military forces. Life under these separate national regimes has been one of risk and privation for the average man. In counting the material costs, consideration should also be made of the fact that the separate governments, imperial and democratic alike, have been run primarily for the benefit of a small minority of the population, and that this minority has invariably relied upon the principle of charging all the traffic will bear. Seen from the point of view of material burdens alone, it would probably be a matter of indifference to the underlying populations whether the ruling groups were members of their community or of some outside community. This is looking at the matter from the point of view of economic costs alone, and leaves out of account all patriotic sentiments and spiritual values which set one group off against another and make for antipathies between them. Veblen explains that we are not trained to see issues in purely rational terms, and acknowledges the fact that each conflict group tends to view the values of other conflict groups as repellent. The capitalistic, or free private enterprise, system of Veblen's day seemed to be without the signs of deterioration so evident today, hence, his view of the merits of one alternative as over against the other probably appears more pessimistic than subsequent developments would justify. In all probability, capitalistic countries would, if permitted to survive, be forced to face the issues of major importance sooner than totalitarian countries.

If, continued Veblen, the leaders of the democratic nations should

dictate the terms of the new order, and if they contemplated world reorganization along lines which would make it possible to remain at peace, then they would logically undertake certain preliminaries. Among them would be the liquidation of the military rulers—the hereditary nobility included—and the substitution of a democratic form of government. In addition, the major European nations would form a league, federation, or union, and relinquish their old sovereign privileges. They could no longer be permitted to maintain separate military establishments. The totalitarian powers would be disarmed and the league would maintain a monopoly of military force, probably under the direct control of the English-speaking peoples. The totalitarian nations would be members of this coalition, otherwise the old balance of power would automatically be reinstated. Up to this point the changes outlined call for a minimum of sacrifice on the part of the democratic powers and a maximum of sacrifice on the part of the totalitarian powers. The major democratic powers could not use the league to promote their own nationalistic ends without creating those sources of conflict which it aims to eliminate. They must subject themselves to the same leveling measures they impose upon the totalitarian powers. Under these circumstances colonies would cease to be of any special advantage, for their resources and markets would be available to all on equal terms. Tariffs, quotas, spheres of influence, extraterritoriality, protection of foreign investments—practically all of the habitual practices of sovereign nations in the past would have to be eliminated.

The obstacles to this course of action are many and serious and it would be naive to imagine that anything like this could be undertaken if the democratic nations emerged from the war with the old ruling groups substantially in control of government. The possibility of realizing this course of action would depend on how the public reacted to the war experience. If the public finally became convinced that the business control of industry must be replaced by that of technicians in order to prevent defeat, a return to the old arrangements might become impossible. This is a possibility to reckon with because those who control the economic wealth for private gain work at cross-purposes with and mar the coordination of the industrial system as a whole. The experience of modern war indicates that business management, far from being a nation's

greatest asset, is its greatest deterrent to the war effort. The customary business concern over established property rights, investment capital, prices, profits, and distributive shares become extraneous concerns in time of war. The longer the war lasts the greater the possibility that sufficient public appreciation of this fact will be forthcoming to bring about those modifications of economic custom which are the present source of disorder. Veblen thought it would be a mistake to count heavily on this possibility.

It is obviously important to try, in so far as possible, to understand what kind of post-war structure the democratic statesmen will set up, provided the decision rests with them. Thus far the latter have issued only vague and emotive statements concerning their plans, which seem to call for the inconsistent policies of reform and preservation of the status quo. Their position is admittedly a difficult one for they must try to enlist the cooperation of conflicting groups, some of whom want the perpetuation of existing institutions, others of whom want the elimination of these institutions. Although the limited statements of the leaders do not shed much light on what to expect after the war, a glance at the cultural situation and the problems of war should offer some clues.

For the most part, democratic governments are run, as noted, for the benefit of a minority, notwithstanding idealizations to the contrary. The fact that competing farm and labor pressure groups challenge the established prerogatives of business, and the fact that we have an administration which retains the nineteenth century faith in minor social legislation to strengthen and validate the system of free private enterprise, has not altered this situation substantially thus far. Under these circumstances there can be a wide discrepancy between what the government alleges to be its aims, and what the public-spirited citizen believes to be the government's aims, on the one hand, and the actual aims of those major pressure groups inside and outside the government, on the other hand. Issues are kept obscure partly because leaders indulge in glittering generalities and stimulate prejudices which sometimes border on hysteria. People bring their deepest emotions to bear where conflicts of values are involved; on both sides the values of the enemy are seen as intolerable, and each feels with religious intensity that those of the opponent must be exterminated.

All wars, Carl Becker remarks in *MODERN DEMOCRACY*, are fought for freedom, or some variation of that theme—on the opponent's side as well as on our own. The stereotypes have to be discounted generously.

The established ruling groups are quite understandably concerned about the preservation of those arrangements of which they have been the chief beneficiaries. This does not mean that their goals are clearly in conflict with those of the general population. Both desire the defeat of the enemy and his disposition so that another such war will be unnecessary. Both want the preservation of established institutions which are their own and which they regard as eternally right and good. With all of us it is a matter of "our custom, our whole custom, and nothing but our custom." Patriotism does not develop an attitude of wishing for rational social innovation. Yet it is in the manner in which established customs work out that conflicts, disharmonies, and collapse ensue. The roots of international discord lie in the fact that, due to the growth of industry carried on under an obsolete set of economic customs, it is impossible to dispose profitably of all goods in the domestic market, and impossible to invest profitably all capital funds in domestic industry. Hence profitable outlets abroad for the sale of goods and the investment of funds are thought necessary. Rival imperialism follows. This situation has become increasingly complicated, and a source of growing national antagonism, now that the occident possesses a high level of industrialization. If the democratic statesmen seek to preserve existing institutions, privileges, wealth, territories, and national integrity, with the one major change consisting in the defeat of the enemy so that peace may be added to all these others, then we should expect to witness an improverished Europe continuing to bleed itself white in preparation for future wars. No willingness on the part of the democratic statesmen to provide minor modifications in the way of international machinery will be of any more consequence in making for international teamwork after this war than after the last.

This is not to question the good intentions of those who seek the preservation of the established arrangements. All institutional arrangements have their apologies, which purport to show why they should last throughout eternity, and all in-groups have philo-

sophies which link their group egotisms to the welfare of all. The ostensibly scientific economic philosophy, which dates from the eighteenth century, is not accepted by ruling groups alone; it comes nearer enjoying universal acceptance than any other. It argues that the industrial order is the creation of the existing institutions, that the prevailing arrangements assure the maximum up-building of industrial wealth, that its incentives afford the maximum drive to human effort, that it permits the maximum output of goods and services, and the best possible distribution of goods. Its merit, it is thought, resides in its efficiency, its justice, and its consistency with the laws of economic progress. It can be shown that this philosophy supports class discriminations no less than did medieval philosophy support them in its day, but it would be a mistake to imagine that economists constructed the philosophy in order to defend ruling groups.

People's behavior is more flexible than their dogmas and they may, under the exigencies of driving material circumstances, do things which conflict with the dogmas. Assuming that the established ruling groups succeed in holding their grip upon governmental machinery, it is still possible that public opinion may force economic changes the former are strongly opposed to. These changes may prove so far-reaching that a return to "normal" conditions will be practically impossible. In the next post-war period democratic governments may find themselves forced to retain the controls built up during the war over heavy and consumer goods industries, labor, agriculture, and investment capital, since the only alternatives may be this or collapse. The business community, itself, tends to agree that only government can direct the conversion to peace of millions of men under arms and working in defense industries. Business is still hoping for the return of the golden age of the past, when all restraints will again be removed from investment capital, and still believes that the transition controls from war to peace can be liquidated in a few brief years, but the hope may prove illusory. The world will emerge from this war impoverished as never before but also with a higher level of industrial efficiency than ever before. If the old arrangements were to be reestablished the necessity to "export or die" would be felt more acutely with respect to manufactured goods and investment capital than ever before and would result in unprecedented

world economic collapse.

Finally, the possibility suggested by Veblen should be recalled, namely, that the public in the democratic countries could lose its high regard for the scheme of values of the business community if the war experience proved harsh enough. The merit of the business man is of a highly specialized character and consists not in technological proficiency but in an ability to manipulate emotional thought patterns and customs to further his own ends. Although these abilities are unquestionably of high order, they call for a withholding of and interference with industrial efficiency. Thus far the business community has been relatively successful in protecting its rights and abilities, and in getting them placed far toward the head of the priorities list. It is true that a considerable amount of economic planning has already been attempted and that it has done a good deal to further the production of war equipment. Even so, only enough customary business interference has been removed to permit a partial utilization of plant, according to the admission of Donald Nelson. After two and one-half years at war the British leaders have not placed industry on a full war-time footing; credit for what has been done goes largely to the public, which has insisted upon it in the face of sullen resistance from its leaders.

Success in modern warfare is contingent upon the fullest possible use of industrial resources. Democratic statesmen have professed more or less satisfaction with the existing level of industrial output despite the fact that its inadequacy has brought an almost unbroken series of military defeats. Thus far, public opinion has moved slowly and continued to reside confidence in the present leaders, and it may continue to do so in the future and in the face of continued reverses. There is a remote possibility that continued military reverses may undermine public confidence and lead to the control of industry passing into the hands of people who have no regard for business aims, but only for the most efficient organization and utilization of industry. If a trend of this character got under way in the future it could proceed at an accelerating pace and make a return to the old order after the war highly problematical. This would appear calamitous, as seen from the point of view of the old ideals and to the beneficiaries of existing arrangements, but it would probably narrow the fatal disharmonies

between our advanced material environment and our anachronistic institutional environment enough to permit society to function successfully. We seem more likely, however, to cling to the former of these alternatives, even if that means eventual defeat. Democratic nations are the home of business civilization. The majority of people in this society still find it difficult even to conceive of any type of economic supervision other than that customarily provided by business. It takes a long time for society to learn in the school of hard knocks and it may require considerably more time than the war experience will permit in order to break the crystallized and established patterns of behavior.

## Cost of Financing Under the S. E. C.

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What effect has the Securities and Exchange Act had upon the costs of securing capital? I have asked this question of a large number of college of business administration students during the past three years, and there is a very strong tendency for the answer to be categorically that costs of financing have been increased greatly as a result of the legislation. Since all the evidence proves that financing costs have declined substantially, it seems probable that readers of the *Southwestern Social Science Quarterly* will be interested in a condensed statement of the facts.

In order to proceed with the story in a chronological order, you will recall that investment banking abuses and the stock market debacle of 1928-1932 made legislation regulating security issues and trading mandatory. Investment bankers, stock exchange officials, brokers, investors, and practically everyone else agreed that legislation was necessary, yet when the legislation became effective it was generally condemned as unreasonable, impracticable, impossible, and unworkable. Many writers filled the financial columns with statements to the effect that civil and criminal liability of issuer and underwriter and cost to the issuer would stifle the entire process of financing and that it would be impossible to find adequate private capital necessary to finance the larger business enterprises of this country.

As the debaters in the February 19, 1934, issue of Barron's Weekly put it, "Congress plunged upon uncharted seas and evolved an unworkable law that is so unnecessarily severe and unjust that it has stifled enterprise and rendered the financing and management of legitimate business well nigh impossible."

From this prophecy of impossible and unworkable legislation, we turn to Act II in order to see what did happen. Several public utility companies were among the first to sell securities in 1934 under the Securities and Exchange Act. The Securities and Ex-

change Commission presented Costs of this financing as follows:

Company	Legal Costs	Accounting Costs	Registration Costs	Total Cost	% of Issue
Am. Water Works & Electric Company	\$90,000	\$72,000	\$3,000	\$165,000	1.1
Northern States Power Company	30,000	76,500	1,000	107,500	1.1
Edison Electric Illuminating Company of Boston (two registrations)	15,000	32,000	5,500	52,500	.1

Cost of registration for American Water Works, the more complex parent holding company, was \$165,000; for Northern States, a sub-holding company, \$107,500; and for Boston Edison, an operating company, \$52,500 for two registrations. If these cases are typical, apparently the registration cost varies with the complexity of organization of the issuing company. M. H. Waterman, associate professor of Finance at the University of Michigan, writing in the *Public Utilities Fortnightly* of March 14, 1935, commented upon these figures in the manner here quoted:

It is conceivable that the cost of registering the issues of some of the most complex holding companies would preclude registration entirely and thus prevent any public offering of some securities. If this be true, the end has justified the means. If the management of any company has such great difficulty trying to explain its history, purpose, organization, and inter-corporate relationship that the problem is unsolvable or too costly of solution, then this company's issues are best off the market. Investors should not be asked or expected to contribute capital to such a company until a degree of understandable and manageable simplicity has been introduced by reorganization. Looked at in this way, the cost of registration might very well be counted as a cost of keeping the market free of parasitic securities in order that the companies with legitimate offerings may better proceed with their capital raising projects.

The first really extensive, scientific, and reliable data concerning cost of financing under the Securities and Exchange Act came from the Research and Statistics Section of the Trading and Exchange Division in May, 1940. Under the title of *Cost of Flotation for Small Issues, 1925-1929 and 1935-1938*, in 23 pages of text, 16 tables, and 9 charts, this research staff presented the following facts which seem of greatest significance so far as bond financing is concerned.

#### Bond Issues of Less Than \$5,000,000.

1. Out of each \$100 of gross proceeds (equal to the number of units sold

times the offering price) in the 1925-1929 period, \$6 or 6.0 per cent had to be paid to cover the cost of flotation. The proportionate cost of flotation declined to 4.8 per cent in the 1935-1938 period.

2. Compensation paid to distributors for their selling services amounted to 5.2 per cent in the 1925-1929 period and dropped to 3.4 per cent in the 1935-1938 period.

3. Other expenses, which consist largely of professional and mechanical services incident to preparing an issue for the market, averaged 0.8 per cent in the 1925-1929 period. Such expenses rose to 1.4 per cent in the 1935-1938 period.

4. Compensation to distributors still constitutes the major element in the cost of flotation. Compensation was about six and one-half times as large as other expenses in the 1925-1929 period and approximately two and one-half times as large as other expenses in the 1935-1938 period.

5. Cost of flotation for the very small bond issues (that is, issues under \$1,000,000) remained practically stationary in the two periods, amounting to 6.9 per cent in the 1925-1929 period, and 7.0 per cent in the 1935-1938 period.

6. Cost of flotation for bond issues ranging between \$1,000,000 and \$5,000,000 in size declined from 5.9 per cent in the 1925-1929 period to 4.5 per cent in the 1935-1938 period. The reduction in cost was generally greater as the size of issue increased.

7. The general tendency for cost of flotation to decline with an increase in the size of issue, while evidenced in both periods, was much more pronounced in the 1935-1938 period than in the earlier period. For example, in the 1925-1929 period cost of flotation dropped from 6.9 per cent for issues of under \$1,000,000 to 5.9 per cent for issues of \$1,000,000 or over, whereas in the 1935-1938 period, the comparable decline was from 7.0 per cent to 4.5 per cent.

8. The substantially lower costs shown in the later period for the larger sized issues resulted wholly from savings in compensation paid to distributors. Compensation declined from 5.2 per cent in the 1925-1929 period to 3.2 per cent in the 1935-1938 period for issues of \$1,000,000 or over but only from 5.7 per cent to 5.0 per cent for issues of under \$1,000,000. The increase in other expenses for the two size groups was much the same.

9. Cost of flotation for the very small issuing corporation (that is companies with assets of under \$1,000,000) was considerably higher in the 1935-1938 period, when it amounted to 9.6 per cent, than in the 1925-1929 period, when it was only 7.0 per cent. For companies with assets of \$1,000,000 or over, however, cost of flotation was substantially lower in the 1935-1938 period.

13. A breakdown of other expenses shows that expense items not affected by registration requirements under the Securities Act were of about the same size in both periods. However, expense items partly attributable to registration requirements, such as fees for professional services, and printing and engraving costs increased from 0.51 per cent in the 1925-1929 period to 1.17 per cent in the later period. By far the greatest proportional increase in such expenses was shown for accounting fees, which rose from 0.06 per cent to 0.21 per cent. Further analysis indicates that expense items partly attributable to registration requirements tended to increase in roughly the same degree irrespective of the size of issue.

Much criticism of the security regulations has been predicated upon the assumed extremely high cost of floating issues of less

than ten million dollars. These facts show that the cost of small bond issues declined 20% (6% to 4.8%) in the period 1935-1938, compared to the 1925-1929 costs and make it rather difficult to maintain that the legislation is exceptionally burdensome to any except the very small company which probably does not need to make a public offering.

If all of our data on costs of financing were compiled by governmental research agencies, there might be some question concerning the statistics. Fortunately, an investment banker has conducted extensive research in this field. In September, 1940, Dr. T. Kenneth Haven, Manager of the Underwriting Department, Watling, Lerchen and Company, of Detroit, presented some striking facts regarding costs of financing under the title *Investment Banking Under the Securities and Exchange Commission*.<sup>1</sup>

Through cooperation with the Senate Committee on Banking and Currency and five large investment banking firms Mr. Haven was able to present underwriting commissions on 104 bond issues offered to the public in the period July 1, 1926, to December 31, 1929. (This is very unusual data, since investment banks rarely presented even as much as a condensed balance sheet before the 1933 legislation forced them to do so.) Underwriting commissions on these 104 bond issues involving \$2,063,061,904 of capital amounted to \$63,716,762 or 3.088 per cent of the capital raised. These figures Mr. Haven compares with 307 public offerings of bonds during the years 1933-1937 involving \$5,202,605,826 which cost in commissions and expenses \$116,577,159 or 2.241 per cent of the capital raised.

Commenting on these findings, Mr. Haven says:

Underwriting commissions on bond issues dropped from 3.088 per cent in the period 1926-1929 to 2.226 per cent in the years 1934-1937. The difference of 0.862 per cent represents a decrease in commissions from the investment bankers' standpoint of 27.9 per cent.

He points out further that since the 104 issues of the earlier period are all large ones whereas the more recent period includes all issues, there is reason to believe that the decrease in commissions between the two periods was even larger than 27.9 per cent.

<sup>1</sup> Haven, T. K. *Investment Banking Under the Securities and Exchange Commission*, Michigan Business Studies, Volume IX, Number 3, Ann Arbor, 1940.

In a sketchy and highly condensed manner we have now heard from the Securities and Exchange Commission and the Investment Bankers. Both emphasize the fact that underwriting commissions are the important cost of securing capital and that registration costs and other expenses incident to registration are relatively minor. Of much greater significance, they agree, that commissions and hence, total cost of securing capital, have been much lower since the legislation became effective.

One more reference to evidence, and then we shall consider some possible reasons why the costs would be lower. In March, 1941, the Research and Statistics Section of the Trading and Exchange Division, Securities and Exchange Commission released 54 pages of text, tables, and charts bearing the title *Cost of Flotation for Registered Securities 1938-1939*. Principal statistical findings are summarized as follows:

1. Cost of flotation absorbed \$2.60 out of each \$100 to be realized from the sale of underwritten bonds, or 2.6 per cent. Cost of flotation averaged 6.3 per cent for underwritten preferred stock, 16.0 per cent for non-underwritten preferred stock, 16.9 per cent for underwritten common stock and 19.0 per cent for non-underwritten common stock.

2. Compensation to distributors averaged 2.0 per cent for underwritten bonds, 5.1 per cent for underwritten preferred stock, 14.9 per cent for non-underwritten preferred stock, 15.1 per cent for underwritten common stock and 17.3 per cent for non-underwritten common stock.\*

3. Expenses averaged 0.6 per cent for underwritten bonds, 1.2 per cent for underwritten preferred stock, 1.1 per cent for non-underwritten preferred stock, 1.8 per cent for underwritten common stock and 1.7 per cent for non-underwritten common stock.

4. Compensation to distributors was much more important cost element than expenses, accounting for 77 per cent of the total cost of flotation for underwritten bonds, 81 per cent for underwritten preferred stock, 93 per cent for non-underwritten preferred stock, 89 per cent for underwritten common stock and 91 per cent for non-underwritten common stock.

5. Offerings to security holders were characterized by a relatively low cost of flotation, especially as regards compensation to distributors. Inasmuch as compensation frequently varies between a minimum rate applicable if the entire offering is taken up by securing holders and a maximum rate applicable if none of the offering is taken up by security holders, it is interesting to compare the range of compensation for the following types of offerings to security holders: 1.1—3.1 per cent for underwritten bonds, 1.9—2.9 per cent for underwritten preferred stock and 2.4—3.3 per cent for underwritten common stock.

6. A study of the individual expense items revealed that expenses not attributable to registration amounted to 0.227 per cent for bond issues, as

\* Recall that Dr. Haven found the underwriting commissions on bonds to

compared with expenses partly attributable to registration of 0.331 per cent. Comparable to expense figures were 0.231 per cent and 0.922 per cent respectively for preferred stock and 0.452 per cent and 1.026 per cent respectively for common stock.

7. When individual expense items were further analyzed by industry and size of issue, it was found that considerable though irregular differences occurred among the major industry groups. The analysis by size of issue showed that, although expenses not attributable to registration evidenced little consistent variation as size of issue changed, expenses partly attributable to registration declined substantially the greater the size of issue.

8. From this analysis of individual expense items, an estimate of the maximum cost of registration was derived indicating that such cost on the average was less than one-quarter of 1 per cent for bonds, one-half of 1 per cent for preferred stock and slightly more than one-half of 1 per cent for common stock.

What effect has the Securities and Exchange Act had upon securing capital? The figures are most convincing that costs of financing have been reduced very substantially since the legislation became effective. Are there reasons why the costs should be lower, and if so, why have we assumed they would be higher?

1. We have been too concerned about the costs of preparing a listing application and prospectus and have lost sight of the major cost items. A great commotion has been made over the accounting and legal fees involved in preparing a listing application, and we have wondered what it must cost to print all this information deemed to constitute "full disclosure."

2. Since underwriting commissions constitute 77 per cent of the cost of making a public offering of bonds and an even higher percentage of the cost of a stock offering, anything which tends to reduce the commissions is very likely to reduce the cost of the offering. Several forces may be mentioned which would tend to lower banker's spreads under the legislation. In the first place, the Securities and Exchange Commission has made vigorous protestations that these costs are too high. The underwriters know full well that the commissions will be a part of the "full disclosure" and the charges are likely to be such that they can be defended.

When a listing application is accepted by the Commission, the prospectus prepared and placed in the hands of prospective purchasers, and the twenty day cooling period has passed, it seems reasonable to suppose that much of the personal high-pressure

be 3.088 per cent during the period 1926-1929, and 2.226 per cent for the years 1934-1937. The 1939 commissions were, therefore, 35.56 per cent less than those of 1926-1929.

selling is no longer necessary. If selling costs of the underwriter are reduced, the total cost of raising capital may well be reduced accordingly.

If the deplorable practice of according "preferential treatment" to certain individuals in the distribution of securities has been stopped, this element alone may result in lower underwriting commissions on many issues.

To the extent that collusion in bidding may have permitted underwriters to set unduly high commissions in the twenties, the present pressure for strictly competitive bidding for issues may well result in lower fees.

3. The technical, legal, engineering, and accounting fees incident to preparing a listing application and printing a prospectus are not to be taken lightly and there is no denying that the legislation makes this aspect of capital raising more expensive. However, it must be remembered that much of the investigation, involving engineering, legal, and accounting work, has heretofore been done by the bankers before assuming responsibility for a public offering and is, therefore, not added or new cost.

It is not improbable that the technical experts and professional men will become so well versed in just what is required to prepare a listing application that it will cost no more than the less effective investigations the bankers were accustomed to make before the legislation became effective. There is this one vast difference—the prospective security buyer now has access to all the information as well as the underwriter. Formerly, whatever was known was known to the underwriter only.

# Limitations of the Plantation System as a Basis for Progress of the Tenants

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ASSISTANT DIRECTOR OF RESEARCH  
ARKANSAS AGRICULTURAL EXPERIMENT STATION

Any occupation or business undertaking should be the basis for fulfilling most, if not all, of the following objectives for the individual worker: (1) Immediate employment as a means of making a day-to-day living; (2) economic progress, including accumulation of wealth, increase in size of business if successful, and promotion in occupational status; (3) social and educational progress; and (4) stability in occupation.

The plantation system, from the point of view of the operator, is not unlike any other strictly commercial enterprise. It is a means of employing economic resources for the purpose of making money, and the principles of commercial economy, as a rule, are applied throughout. Employment is maintained at the least competitive cost, and building improvements are held to the minimum. The goals of current living standards and economic and social progress and security, on the part of the plantation landlord, are realized in proportion to the economic success of the plantation business. The objectives and accomplishments of the plantation, from this point of view, are comparable with those of other occupational groups of equivalent size and income capacity. While occasionally there may be found a mixture of pride in landlordism, or the opposite attitude of paternalism for the labor employed, for the most part in southwestern states the plantation is owned and operated for the income it will produce.

The function of the other tenure classes on the plantation, from the operator's point of view, is to provide the man labor for cultivating the land and harvesting the crops. The function, from the workers' point of view, is to attach available labor to the other factors of production as a means of making a living. Excepting the landlord, each tenure group is in competition with the others on the plantation and all groups are in competition with improved machinery. On the closely supervised plantation, the number of

families finding employment is determined by the total labor requirement, which is affected by the degree of competition afforded by improved machinery, but the proportion of each tenure class in the total labor supply is determined by the cost, to the plantation, of one form of tenure as compared with another. In periods of labor scarcity, as during the first World War, plantation workers advance from wage hands to share croppers and from share croppers to tenants. In periods of surplus labor, as during the past decade, the reverse movement occurs. The change in number of workers and their redistribution by tenure in recent years is revealed by a study<sup>1</sup> in three delta counties, covering the period from 1932 to 1938. For each 100 resident families on plantations in 1932, the number displaced by 1938 was as follows: Chicot 20, Mississippi 14, and Pulaski 12. For the three counties in the 7-year period, there was an average loss of 16 resident families in each 100. Accompanying the reduction in numbers, there was a considerable shift down the agricultural ladder. In 1938 as compared with 1932, there were only about three-fourths as many tenants and slightly less than three-fourths as many share croppers, but the number of resident wage hands increased by one-fifth.

This evidence of displacement is verified by data from the Bureau of the Census, which, for the 10-year period, 1930 to 1940, show displacements for all tenants and croppers in each 100 families as follows: Chicot 14, Mississippi 36, and Pulaski 18. Displacement of cropper families in two of the counties was much greater: Mississippi 49 in each 100 and Pulaski 30. The average reduction in the three counties in the 10-year period was 37 per cent for croppers and 14 per cent for other tenant classes.

The significance of this shift as between tenure classes, so far as concerns individual families, is in the difference in level of net income as between the tenure groups, which, as already shown for 1934, was \$425 for tenants, \$284 for share croppers, and \$203 for wage hands. In other respects, however, on the typical plantation there is little fundamental difference between wage hands, share croppers, and share tenants. The central problem of all classes is the relative inflexibility in working and living conditions and in economic and social opportunity for those who develop managerial ability and become capable of making further progress.

<sup>1</sup> Arkansas Agricultural Experiment Station Bulletin 397.

For the resident wage hand, employment is limited to the tasks available on the plantation, which is mainly during the crop cultivating and harvesting seasons. Because of distance and the lack of transportation, there is little chance of taking advantage of employment elsewhere in idle seasons.

Both share-cropper and tenant farms tend to be limited in area to the amount of land that can be handled during cultivation and harvest without the use of extra labor. Most of the land is used for the cotton crop, and hand methods constitute a large part of the work done. The outcome, at best, is a small-sized business, with unemployment prevailing during a part of the year.

These farm units are not only limited in size but are relatively inflexible as to the composition of enterprises. Cotton or cotton and corn make up the cropping system. As a rule, there is no pasture land for the keeping of livestock, either for current income production or as a means of accumulation. The production of food in any degree of adequacy is exceptional. Such a farm not only has low income producing capacity but much of the cash crop income must be used for the purchase of both subsistence and production goods. The possibility of supplementing farm income with outside work in the summer and winter months, as in the case of the wage hand, is extremely limited because of location or scarcity of jobs.

Farmers, at best, accumulate wealth in small increments, by a small amount of net earnings in excess of living requirements in favorable years or by the growth and gradual accumulation of livestock and equipment. Owner operators and independent tenants may, under favorable conditions from year to year, enlarge or adjust the farm business in proportion to their accumulations or credit resources as a means of increasing income or of improving efficiency. The share-cropper or tenant farm unit on the plantation tends to be standardized in size, according to the labor supply available for producing and harvesting the cotton crop, and it is not subject to adjustment to any appreciable extent outside of this limitation. As a result, the typical tenant farm unit affords neither a satisfactory basis for making a living nor a basis for enlargement in case there is opportunity to use surplus earnings or superior management.

The credit system for share-cropper and tenant farms, which

is managed by the landlord, is designed to serve the type and size of farm unit mentioned and the amount of credit made available is based on the potential value of the cotton crop. Credit is used almost entirely for subsistence purposes. The only exception is for the purchase of fertilizer and feed, or, in some cases, for providing the minimum work stock and equipment to tenants. It is not used intentionally to supplement the available supply of labor during peak requirements nor in other ways which would make possible a larger farm unit. The cost of credit, although relatively high, is not as significant as the limitations in its use. The credit system, instead of being the means of providing for flexibility in scope of operations as in the case of most other business undertakings, is managed in such a way as to support the other factors which result in inflexibility.

The share-cropper and tenant farms, both in size and in cropping system, are devised to serve the purposes of the plantation as a whole. By way of contrast, what would be the effect if these farms were designed in every way possible to serve the purposes of the plantation families? The effect would probably be a larger operating unit for each family, at least to the extent made possible by more adequate work stock and labor-saving devices, use of extra wage hands during "rush" seasons, crop and livestock enterprises requiring less labor than cotton, pasture land, and adequate acreage for the production of food supplies. The extra cost for these purposes might easily yield three-fold returns to the tenant. The farming system, with these modifications, would constitute a considerably better basis for continuous employment and current income and also a better basis for the accumulation of wealth and the economic use of surplus earnings or superior management. It would require, however, the close supervision on the part of the management, which is now limited very largely to the cotton crop, of all phases of planning the farm and executing the various types of production, including the production and preservation of food supplies. It would also be necessary to provide additional building and fencing facilities and some rearrangement of the plantation layout for bringing into use by share croppers and tenants the noncultivated or undeveloped land.

There is one phase of plantation tenure, however, which is highly flexible. This is the mobility of all classes. In the sample

study made in 1935, of 135 wage hands, 27 had lived on the plantation only one year and 89, approximately two-thirds, had lived there 5 years or less. Of 659 share croppers, 228 had been on the plantation 2 years or less and almost two-thirds had lived there 5 years or less. Of 153 share tenants, 27 had been on the plantation 2 years or less and 74, almost one-half, had lived there 5 years or less. As a rule, these tenure classes do not move very far. They shift from one plantation to another in the local area. This high rate of mobility, however, is not confined to plantation areas. This lack of stability in occupancy, even though plantation farming were better designed to fit the needs of the tenure classes, would likely defeat most, if not all, of the purposes of the family to make economic and social progress, particularly where the new location affords no better opportunities than the old.

In general perspective, the system of plantation tenure in low-land cotton producing areas of southwestern states, with the accompanying organization and methods of production, is evidently suitable and economic from the point of view of the plantation as a whole. From the landlord's point of view, it is efficient, in terms of costs, as a means of working the land and harvesting the crops and in affording the maximum return to management. It makes possible such supplementary enterprises as the plantation store, gin, and merchandising in cotton and cottonseed, all of which are assured of a minimum volume of business, the importance of which, in relation to income, is extremely significant. The plantation system also operates to the advantage of the workers, in the sense that it affords employment for a maximum number of farmers who lack managerial ability or financial resources for independent operations, some of whom would have difficulty in finding consistent employment elsewhere.

The weakness in the system, from the tenant's point of view, is in the several aspects of inflexibility mentioned, which tend to restrict economic and social advancement. In addition, the determination of farm plans by the operator and close supervision in all work, do not apparently lead to improvement in managerial ability. Educational and social institutions lack, equally, any special adaptation to the needs of farm life or to the equipping of the individual for adjustment elsewhere. In short, the plantation

with its forms of tenure and associated characteristics, while serving an extremely useful purpose in the short-time view, tends to perpetuate some of the problems typical of the rural South.

## The Sociological Aspects of Farm Tenure\*

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Like other complex social phenomena, the intricate web of human relationships, known as the system of land tenure, overlaps a number of scientific disciplines. These include sociology, economics, political science, psychology and, if we may believe some writers on the subject, biology as well.

Effective cooperation of the various disciplines concerned with land tenure research requires a mutual understanding of the portions of the total field that properly belong to each. The objective of the present paper is to suggest the aspects of farm tenure that lie within the province of rural sociology.

Broadly speaking, it may be said that tenure arrangements are legitimate objects of sociological investigation to the extent that they influence the relationships of people. More specifically, the following are suggested as areas of research within which rural sociologists can contribute most to an understanding of the significance of land tenure and, incidentally, to the development of sociological theory.

To the extent that tenure arrangements have become fixed in custom or defined in law they may be said to have become institutionalized. All social institutions are the cumulative outgrowth of man's efforts to satisfy basic and persistent needs. The needs which underlie our tenure institutions are fundamentally economic in character and find their satisfaction through the application of labor to land.

Where land is plentiful or "free" man's relations to it remain relatively simple and direct. Under such circumstances everyone has an equal opportunity to exploit the soil and consequently no "tenure problem" exists. In our culture, however, as a consequence of various factors such as our system of private property, the

\* Adapted from a paper presented at the meeting of the Southwestern Social Science Association in Dallas, Texas, April 3, 1942.

growth of population and the disappearance of the frontier, this equal opportunity has long since vanished and a politico-economic system has developed which permits exploitation of the land by some and denies it to others except through a form of payment known as rent. This permits the land owner to satisfy his economic needs indirectly, through the labor of his tenants, rather than directly by the application of his own labor to the land.

This system of property in land and the customs and laws which regulate the relation of renter and owner make up what is known as our institution of land tenure. Its form varies from place to place and changes, although slowly, in response to changes in other segments of the culture or to modifications of the physical environment.

As in other social institutions a major portion of the institutional structure pertaining to land tenure consists of a body of supporting rules, symbols, beliefs and rationalizations, which function as effective instruments of social control. In our culture, land ownership has become a symbol of social status and respect, with historical roots going back at least to feudal times. Rationalizations pertaining to differences in tenure status usually take the form of attributing superior initiative, intelligence and general social worth to the land-owning classes. The right to receive a portion of the fruits of other's labor in the form of rent is justified as a payment for superior managerial ability, thrift or foresight. The concept of the "agricultural ladder" affords to the non-land-owning classes the hope of improving their tenure status and rising to the rank of ownership. Laws pertaining to contracts, and property rights in land, improvements, and crops help to define and enforce the prescribed relationships of owner and tenant.

The foregoing is intended merely to suggest the general nature of the institutional structures pertaining to land tenure and the opportunities for sociological research in relation to them. There is no interest here in ethical considerations or in determining the "goodness" or "badness" of existing institutions. The only scientific criterion for estimating the worth of a social institution is the degree of efficiency with which it performs the functions for which it is designed. In making this estimate the dominant values of the culture must be given consideration. One of the dominant values in our contemporary culture is the right of private prop-

erty, including private property in land. Our tenure system is accordingly called upon to preserve the principle of private land ownership and at the same time provide for the satisfaction of those material needs of our population which can be met only through the exploitation of the productive resources of land.

The major function of the institution of *tenancy*, which is a part of the more inclusive system of land tenure in general, is to provide access to land, with resulting satisfaction of material wants, to those who do not have the right of access through ownership. It may be assumed that the satisfaction of economic needs is a more basic value than the preservation of property rights. As long as these needs are met in adequate measure the particular form of tenancy or the nature of property rights in land will probably not be seriously questioned. However, when these basic economic wants are not adequately met for large portions of the farm population, the institutional forms are likely to be subjected to vigorous attack.

Recent widespread criticism of the present system of farm tenancy suggests that the institution is not adequately performing its function of providing for the material needs of landless farm people. Analysis of the more strictly economic aspects of this problem is, of course, the job of the economist. But there is need for specific types of sociological research pertaining to the institutional aspects of land tenure.

Some of the rationalizations and symbols associated with the present system of land tenure have already been mentioned. The sociologist should analyze the significance of these factors in concrete situations and for different tenure groups. He should identify the beliefs and rationalizations that support the existing institutional structure and subject them to the test of objective analysis and, whenever possible, of quantitative measurement.

It is widely assumed, for example, that most Negro sharecroppers are incapable of assuming managerial functions, particularly those pertaining to a diversified farming enterprise. It should be possible to determine objectively the validity of this assumption and if found to be true, the reasons for it.

It would be highly significant to know the extent to which ownership is regarded as a desirable objective *per se* or as means to the more adequate satisfaction of material, and perhaps psychological,

wants.

Analysis of tenure law and rental contracts should give valuable insight into the character of the relationships between landlord and tenant and the changes that are occurring in these relationships. The nature and number of legal proceedings instituted under these laws should provide some index of the stability and efficiency of the institutional structure.

There is need for a combined sociological-historical approach to the study of the institutional aspects of land tenure. Much can still be gained from a study of older cultures as well as from an analysis of the historical antecedents of present institutional forms. These historical factors vary greatly from region to region and account in part for the bewildering variety of tenure arrangements with which the student is confronted. Present tenure patterns in the South, for example, cannot be properly understood without a careful analysis of the peculiar features of Southern history, particularly the influence of slavery and the development of an agricultural economy based upon the production of staple crops.

Attempts are now being made to identify different types of tenancy or tenancy areas within the United States. This is a valuable activity and one in which rural sociologists should have a major part. We need to know what tenancy means in terms of social status and the nature of the human relationships that are involved in these various areas.

The cultural anthropologist, through his analysis of the culture of other groups, can contribute much to an understanding of our own systems of land tenure and the potentialities of systems other than our own.

There is need also for further study of the changes that are taking place in the institutional forms pertaining to land tenure in order to ascertain the direction in which they are moving and the possibilities of rational guidance and control. There are opportunities here for some valuable contributions from the social psychologists. It would be instructive to know, for example, what different groups of farmers are thinking about the operations of the present tenure system. Is land ownership still the symbol of status and respectability in the community that it used to be? What proportion of the non-owning group looks forward to owner-

ship as a desirable and practical goal?

As indicated previously, it is generally assumed that the major function of tenancy, as distinguished from the tenure system in general, is to assure access to the land to non-owners under conditions which provide a reasonable opportunity for advancement to ownership. Any change in the efficiency with which these functions are being performed is a legitimate subject for sociological research. Are new land owners being recruited from the ranks of farm tenants, croppers or laborers, or do they represent primarily non-farm persons or corporations seeking investment opportunities? How many non-owners who desire to farm are unable to do so because of failure to find farms or inability to secure satisfactory rental agreements?

Another question that the sociologist can help to answer is that pertaining to the effects of crises, such as wars and depressions, upon the tenure system.

It should be recognized that the various institutional structures of the society are closely interrelated, the nature of each being determined in part by the character of the others. It is within the province of the rural sociologist to investigate the nature of the interrelationship between the existing tenure system and the other major institutional structures such as the educational, religious and political. One method of investigation would be to examine the symbols, beliefs, and rationalizations associated with the various institutions with a view to determining the extent to which they support, neutralize or conflict with one another. Another and less difficult procedure would be to study the tenure affiliations of the personnel associated with these other institutions, giving particular attention to those in official positions or otherwise exercising functions of leadership.

With the possible exception of the psychological aspects, involving the analysis of attitudes and beliefs, much of the data necessary to a study of the institutional aspects of farm tenure are already available or can be secured with relatively little effort.

Research in the field of tenure relationship and social change is closely related to that pertaining to the institutional aspects of farm tenure. It is more inclusive, however, since social change is in most cases well under way before it produces observable effects upon the institutional structure. In fact, the latter usually re-

ceives attention in this connection chiefly as an obstacle or hindrance to change.

The sociologist has long been intrigued with the phenomenon of social change and has in fact made it the keystone of much of his sociological theory. Social phenomena, like everything else in nature, are dynamic and must be understood in terms of "processes of becoming."

A number of questions are particularly challenging in this field. What, for example, are the major recent changes in tenure relationships? Where and under what conditions are they occurring? To what extent are they consciously initiated and what are the techniques that are being employed to bring them about? What are the chief obstacles, institutional and non-institutional, that are encountered?

A preliminary answer to some of these questions can be derived from the Census and other data already available. The Census records, in broad categories at least, changes in number and distribution of the various tenure groups, ownership patterns, size of farm and the nature of the farm enterprise.

There is an opportunity here to test out various theories of social change, such as those associated with Ogburn's concept of "cultural lag." Are the basic factors involved in changing tenure relationships to be found in the onward march of technology on the farm or are changes in technology and those in tenure relationships both induced by something more fundamental, such as the growth of population, industrialization, improvements in education, or changes in world markets?

One outstanding index of changing technology is the increased use of the farm tractor. The facts here are known and can be correlated with other facts such as the decline in number of croppers and laborers or changes in farm size and crop practices. However, we are not always sure what is cause and what effect. We do not know why the individual farmer buys a tractor. Neither could we be sure that the reasons he might give if we asked him would be the real reasons. Mechanical devices have a high prestige value in American culture and it may be that cultural and psychological factors are equally as important as economic ones in speeding the introduction of the farm tractor as well as the automobile.

One method of gaining insight into the factors associated with

changing tenure relationships would be to make comparative case studies of areas in which such changes are known to have occurred in marked degree and others in which relationships have remained relatively stable for a long period of time. Criteria for differentiating such areas are available from the type of Census data previously mentioned. Such studies on an area basis might well be supplemented by intensive case studies of individual farms or plantations with the object of describing in detail the factors determining the type of tenure arrangements under which the land was operated at different periods as well as those associated with each change in occupancy.

It is a well established fact that periods of crisis are likewise periods of change. In some instances the crisis itself may be induced by a failure to maintain an institutional structure flexible enough to allow orderly adjustments to be made. The rural sociologists should be alive to opportunities which the present situation affords for studying the processes of change as they are accelerated by the war. The final influence of the war upon the tenure system is certain to be significant. Some previous agricultural trends, such as increasing mechanization, may conceivably be arrested or reversed, due to a scarcity of materials. It is reported that the imminence of a farm labor shortage is inducing farm owners to offer more liberal contracts to their tenants and sharecroppers and higher wages to day laborers. Such concessions, once made, may be difficult to withdraw and may, conceivably, have far-reaching effects upon tenure relationships both during and following the war. If it is discovered that existing tenure arrangements hamper the increased agricultural production demanded by the war there will doubtless be increasingly strong pressure to secure their modification.

Sociological theory posits a limited number of basic social processes under which all of the infinitely varied phenomena of associational life can be grouped. There is not yet complete consensus on the precise number or nature of these processes but most sociologists would agree that the concepts *conflict* and *accommodation* represent two of the more fundamental. At any rate these concepts can be useful tools in the analysis of the interrelations of different human groups, including tenure classes.

How well are the various tenure groups adjusted to the different

role that the institutional structure demands of each? To what extent and under what circumstances has conflict created a feeling of group consciousness on the part of different tenure groups? What are the alternative ways in which this group consciousness may express itself, once it has developed? What evidence is there of the emergence of new patterns of conflict or accommodation? How has the presence of a bi-racial population in certain areas affected these processes? These are a few of the pertinent questions in this field to which the research-minded sociologist might profitably direct his attention. Their answer will involve a careful analysis of the differential roles imposed by the tenure system in different areas and of the degree to which individual and group behavior conforms to institutional definitions.

Special attention might be given to three type situations: First, those involving overt conflict; second, those where accommodation is relatively complete; and third, those of an intermediate character where conflict is not wholly absent but where the institutional structure has been kept sufficiently flexible to permit a process of continuous adjustment.

Opportunities for the study of conflict situations may be found in those instances which involve the activity of organized conflict groups, such as the Associated Farmers or the Southern Tenant Farmers Union. Situations of relatively complete accommodation between widely differentiated tenure groups still exist in portions of the rural South and have already been the object of considerable sociological study. The third type situation may be more difficult to locate in the United States but may, perhaps, be found in some portions of the Midwest and in the Scandinavian countries.

Accommodation is generally regarded as desirable and conflict as undesirable but in terms of the dominant values of the culture situations of relatively complete accommodation frequently represent our most serious social problems. They may hold the seeds of future conflict and for this and other reasons may therefore be detrimental to the permanent welfare of the inclusive society.

A large field and one in which relatively little research has been done to date, due in part to the difficulty of defining the problem and devising appropriate techniques for its investigation is that of personality differences among tenure classes. It includes the measurement of attitudes and other personality traits, the rela-

tion of group status to personality development and at least some aspects of the phenomenon of leadership. It would seem that enough preliminary work has now been done to justify serious efforts in the direction of a more systematic study of these phenomena.

There are, for example, some generally recognized indexes of personality disorganization that might be utilized in an investigation of differences between tenure classes. Techniques for measuring attitudes have been developed to the point where it should be possible to adapt them to the study of tenure groups. Research in the field of attitudes should contribute to an understanding of the changes in symbols and values which are associated with modifications of the institutional structure. As previously mentioned, it would be highly instructive to know whether a desire for land ownership is actually as widespread among non-owners as it is generally assumed to be.

There is also opportunity in this field for research contributions in the form of case histories and personal documents. By revealing the psychological consequences of variations in tenure status such data might well contribute to a fuller understanding of some of the more subtle aspects of the tenure problem as well as to our knowledge of personality differences. To what extent, for example, is the problem of adjustment to a new situation, such as an FSA resettlement project, conditioned by previous tenure status?

Current theories of leadership vary between two extremes. On the one hand there is a disposition to emphasize individual traits and on the other an opposite tendency to stress the characteristics of the social situation as of paramount importance. Regardless of which of these interpretations is accepted there is a widespread belief that competent leadership is seriously lacking among the lower tenure classes. To what extent is this assumption justified? If true, is the explanation to be found in a lack of potential ability or in the restrictions imposed by the social situation? Who, in fact, are the leaders among the different tenure groups and how are their leadership functions exercised? Does selective migration tend to draw them into non-agricultural occupations? What differences are to be found in the leadership patterns of different areas? There is need for additional research which will help to answer these and related questions.

Most of the tenure research by sociologists that has been done has related to social correlatives of tenure status. It has consisted of the discovery and description of a variety of social and economic factors, such as age and education of operator, size of family, size of farm, and level of living, that vary quantitatively among different tenure groups. Very little of this work has gone beyond the mere identification and measurement of such factors. It has become conventional procedure among rural sociologists to make a tenure breakdown of most of the data with which they deal but the analysis usually stops at this point.

While the distribution of data by tenure is frequently a practically useful procedure it does not necessarily contribute to an understanding of the fundamental processes that are involved in the interrelations of different tenure groups. The discovery that the formal education of renters is inferior to that of owners or that 40 per cent of one group as compared with 10 per cent of another has electric lights in the home is not in itself of profound sociological significance. Such data help to describe present conditions but they do not necessarily aid in the determination of causal sequences which is presumably the objective of all scientific research. They are of value, in the main, as aids in the determination of where and how research of a more fundamental character should be undertaken.

Sufficient work has already been done to establish the general nature of the social correlatives of farm tenure status, at least of those factors that can be readily measured. There is need now for a greater refinement of the instruments of measurement in order to make possible the more precise quantification of differences and the detection of significant variations that are not now apparent. This will permit a clearer differentiation of tenure types and of possible sub-groups within each type.

As indicated previously, such procedures should be regarded as preliminary to the formulation and analysis of problems more distinctly sociological in character. The general nature of these problems has been indicated in the foregoing discussion. They have to do with the dynamic processes of interaction between persons and groups occurring within the framework of a relatively stable institutional structure. They involve the discovery of typical sequences of events leading to the observed differences

between tenure classes. If the research efforts of rural sociologists were directed to answering some of these basic problems they would contribute to the development of sociology as a science as well as to the understanding and control of some of the practical problems related to land tenure.

## Price Prospects and Price Controls With Particular Reference to Agriculture<sup>1</sup>

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Price prospects today have an unusual degree of uncertainty. We have developed some knowledge of price-making forces that enable us under normal peace-time conditions to indicate with some degree of confidence the probable course of the general price level and of the prices of many commodities. Confidence in forecasting or in estimating prospects is based upon reasonable expectations as to the direction and degree of price response to the ordinary supply and demand conditions. Today we are faced in every direction with extraordinary conditions. Not only do we find the supply and demand conditions violently changed, but we also have restrictions upon the extent to which prices may respond. We may refer to the course of prices in previous war periods, but in doing this we must be careful to take into account significant differences in the conditions prevailing now from those which prevailed in these periods to which we refer. We are sometimes met with the statement that conditions are so different now that reference to previous experience is of no value. Since this is a very common attitude with reference to the possibility of explaining the present and anticipating the future by reference to the past, we must be on our guard against the assumption that conditions now are so different as to make the record of the past of no value.

Referring to the past we may observe that every extensive war period of which we have record has resulted in great advances in prices, followed by great declines. We now have Government price control power, but we have had it before this. We have had it in this country and elsewhere. It is apparent, therefore, that controls must be much more effective than they have been in the past if they are to prevent such marked price rises and subsequent declines.

<sup>1</sup> This paper was read at a meeting of the Southwestern Social Science Association in Dallas, Texas, April 3, 1942.

We had some control in the United States in the previous World War period, but it is not easily discoverable from observing the course of the general price level in the United States through that period. Examining individual commodities and groups of commodities, it may be observed that the prices of some commodities were fixed and held about constant for periods of some length. Wheat was a notable case. The price of wheat was fixed in July, 1917 at a level below the high points reached earlier in the year, and this level was held through 1918. This was done by the Government taking complete control of the wheat market. The prices of some of the metals were fixed and held constant for a period of some length. The fixing of these prices, however, did not make a very strong impression upon the course of wholesale prices in general. The continued advance in the general price level through 1917 and 1918, of course, reflects the fact that the prices of the great bulk of commodities were not fixed. At the end of the war the price restraints were abandoned and prices advanced sharply so that the highest level was reached more than a year after the war ended. Perhaps we should not conclude from this experience that we can not fix and hold prices approximately to a determined level in this country. We may conclude, however, that the effort must be much greater and extended over a much wider field if we are to hold the general price level and the cost of living approximately to any determined level.

We are told that other countries have succeeded in preventing inflation in the present war period. Looking abroad we can see that prices have been fairly stable for a time in some countries. Let me remind you that before war broke out in Europe, Sweden was being complimented on having successfully stabilized prices. But look at the price index for Sweden now! While that country has not been engaged in the war, she is preparing to defend herself, and this together with increased costs of imports and the scarcity of some items is contributing to a marked advance in prices. We have been told that Germany has succeeded—and apparently that country has succeeded in controlling prices to a rather remarkable degree during recent years. Conditions in Germany, of course, have been as favorable to such control as they could be in any country. It has been done by a very unusual degree of internal regimentation and by control of external rela-

tions. Recently the goods and services received by conquest have contributed materially towards enabling Germany to continue to wage war without resort to measures that would greatly increase the pressure upon prices within the country. I believe that a careful critical examination of what has happened in Germany will reveal the fact that there has been some degree of inflation there; and it would not be surprising to see actual monetary exchange inflation break loose in Germany before this war is over, if it lasts much longer. Apparently Japan has achieved some degree of stability after a long period of inflation. England experienced rather significant advances in prices until recently. I believe that the lend-lease program of the United States has contributed materially to a stabilization of prices in England in the past year. Canada has undertaken an over-all price control. The program there has been in operation too short a time to provide a good basis for judging what will happen. In the first months of operation Canada has found it necessary to release the prices of some products from control, and to raise ceilings or pay bonuses on some others. One point of real difficulty for Canada is the fact that prices of many goods and services in Canada are closely related to prices in the United States. Therefore, Canada will find it very difficult to maintain a price level for many such commodities and services, out of line with the usual relation to those in this country. It may be necessary in some cases to lower trade barriers, pay bonuses on imports, or adjust prices in line with those prevailing in the United States.

I think the conclusion from this hasty and superficial review of the experience of other countries as well as that of the United States is that perhaps prices may be fixed and held fairly close to a given level for a period at least; but in judging whether or not this is to be accomplished in the United States, we must examine the existing measures for control. Perhaps we ought also to consider to some extent how strong a public case may be made for such complete control as would be required to hold prices near the present level.

The case for price control is usually based primarily upon the evils of inflation. Inflation is a much used and abused word. Most commonly it means a rise in prices which anybody thinks should not take place. We need a definition that is more explicit than

any that I have been able to find. Perhaps the best approach to illustrate the point that I have in mind is to say that the tube of a tire is inflated when the pressure on the inside of the tube is greater than the normal air pressure. Correspondingly, prices are inflated when there is some abnormal economic pressure holding them to a level higher than would prevail if that abnormal pressure were removed. An advance in prices may be a normal reaction, simply indicating a recovery toward more normal economic conditions. The advance becomes inflation to the extent that it goes beyond the normal reaction from a depressed condition. Declining prices may also be inflated. This may be accomplished by resistance to readjustments to a normal balance. Even at the bottom of a business depression prices may be inflated; and again, they may be suppressed or deflated at the top of a business cycle. I cannot here undertake to deal in detail with the definition of inflation, but perhaps I have said enough to provide a basis for understanding what I shall say next.

We have already experienced some inflation since the outbreak of the war in Europe. England has experienced some inflation, and so has Germany. Before dealing with these cases for the purpose of pointing out some of the problems of inflation, let me make another proposition to the effect that we cannot avoid the evils of inflation or deflation by the simple expedient of fixing prices. Price is ordinarily a dynamic factor in allocating resources and distributing products. When we fix prices we undertake to do these things by some other means. The difficulties associated with marked advances in prices or declines in prices, or inflation and deflation, are not avoidable simply by the expedient of price fixing.

Our first problem is to win this war. We must secure adequate production of war materials, and we must feed and clothe the people while we are doing it. We must pay the prices necessary to obtain what we want. In some cases we cannot secure increased supplies by increasing prices. In making this statement, I refer particularly to goods and services which cannot be increased,—for example, in case the source of imports is absolutely cut off. Again there are commodities produced in the United States, an increase in the supply of which cannot be obtained by increasing prices. For such items there is no point in permitting prices to advance

significantly. Furthermore, there are many items the production of which can be increased to a considerable extent without increasing costs. In fact, there may be many examples in mining and manufacturing in which the taking of large supplies has a tendency to reduce the cost per unit, so that prices might be reduced, or at any rate not advanced, because of increased demands. In such cases, however, there may be points at which we reach the limit of reducing costs per unit, and to obtain further production must pay higher prices or bonuses. There remain, however, many items of goods and services, the supply of which cannot be significantly increased without increasing costs and without increasing prices or bonuses to cover those costs. It follows that the most efficient utilization of our resources may be to permit an orderly advance in the prices of those goods and services for which higher prices are necessary to obtain adequate supplies. It is an axiom, of course, that we must pay the necessary costs of doing things in haste if we are to obtain quick results.

In the present war period we have begun earlier and we have more machinery for control. The Price Control Act provides for stabilization and for the exercise of controls, but it is not adequate for complete control. We have already demonstrated that it is possible to stabilize prices of some items, as in the previous war period. Price fixing by administration is the rule—even in peace times—for many commodities with which we deal, but there are thousands of commodities and markets which are not easily subjected to control.

Prices generally cannot be fixed and held to a certain level without also fixing wages. The wages of unorganized labor have risen sharply since the beginning of the defense effort. Extensive unemployment had a tendency to hold down the wages of unorganized labor, but with increasing employment this pressure is relieved. The wage rates of organized labor were much higher at the beginning of the present war period than at the beginning of the previous war period. It is interesting to note, however, that the average of wage rates of labor to date has advanced in line with the advance that took place in the early period of World War I. The advance in wage rates is most noticeable in agriculture where an increase of about 50 per cent since 1939 has been registered. This has resulted from the fact that industry has become increas-

ingly a competitor for labor with agriculture. This is due in part to the fact that military forces and industrial labor forces are being recruited from the farm. Undoubtedly there was a considerable labor reserve on the farm, but the fact that it has practically disappeared is indicated by the marked advance in farm wages.

The increased demands for labor in industry, continuing to cause advancing wages, will soon begin to be registered in the curtailment of the labor force on the farm and subsequently in curtailed production in many lines. It is not only the wage workers that will leave the farm. Tenants, selling off their stock and accumulated equipment, will leave the farm for urban employment. Many small farm operators will cease cultivating the land and go as far as to be a threat to adequate farm production in 1943 if not in 1942. One method of meeting this situation is of course to permit advances in prices of farm products sufficient to encourage the tenant and the owner-operator to stay in business on the farm and to enable him to hire the necessary farm labor.

The situation in industry may seem for the time being not to be particularly difficult. Wage workers have pressed their case for higher wages and have obtained concessions on the basis of higher living costs, higher wages being paid in other plants or other industries, and the showing of large profits by industry. Large profits have shown up in new industries on account of extraordinary demands in old industries that were operating at only partial capacity, by capacity utilization and without significant changes in the prices of their goods. The period in which this is the rule is probably coming to an end for most industries. Not only are taxes higher, but production is becoming more expensive. In many lines there will soon be no surplus for labor to absorb. Further increases in production and increased wages will require higher prices for the products, or the payment of bonuses. As man power becomes scarce and particularly as skills become scarce, bidding for high skills and for ablebodied men will exercise great pressure upon wages. The fixing of wages and the allocation of man power would of course be a very great administrative problem, but it will be necessary if further significant advances in prices are to be prevented.

Will wages continue to advance? At the outbreak of the war

there was a large pool of unemployed from which to draw labor for increasing production. Undoubtedly the most useable of that unemployed labor has been absorbed. At present some labor is being freed by shifting production. The unemployment resulting from temporary shut downs on account of the curtailment of raw materials available to produce consumer goods and the unemployment associated with the change-over from the production of goods for private consumption to the production of war goods probably will disappear before the end of the year. The pressure for advancing wages consequently is likely to increase, particularly in the latter part of 1942. Let us notice what happened to wages in the previous World War period. Farm wages doubled between 1914 and 1919. The greater part of this advance occurred between 1917 and 1919. Referring to a composite index prepared for publication by the Federal Reserve Bank of New York, we find that wages for the country as a whole doubled between 1914 and 1920. Wage rates in terms of hourly earnings more than doubled. Factory payrolls per person employed also more than doubled. Turning to what has happened to date in the present war period, we find that farm wage rates have advanced about 50 per cent; and whereas hourly earnings have increased only about 25 per cent since January 1939, factory payrolls have increased nearly 50 per cent. Perhaps we are now in about the same position as in 1917. If wages respond to the pressure that will arise in the latter part of 1942, and wage rates advance as they did in the previous war period after 1917, the prices of many goods and services will be forced upward. We have already taken the first step in advancing freight rates in order to recover an increase in wage rates. Advancing freight rates will increase the cost of many manufactured goods and increase the spread between producers and consumers. If retail prices of food products are fixed, higher freight rates will force down the returns to farmers. If the returns to farmers are guaranteed in the form of base prices, the prices to consumers will be forced upward to cover freight rates. The costs of other services all along the line between producer and consumer will be affected by advancing wage rates, for it will be necessary to raise prices in order to obtain goods and services.

Let me deal briefly with another aspect of the situation that exercises pressure on prices. It is commonly observed that putting

increased purchasing power in the hands of urban consumers results in an increase in the demand for farm products. This, of course, extends beyond the products of the farm. Increasing payrolls make it possible for consumers to buy more and/or to pay higher prices. The income of industrial workers has almost doubled since 1939. This has been reflected in an increase of about 50 per cent in the prices of farm products, and a much greater increase in farm income. It is obvious that with the great efforts expended for defense, and now the waging of war, we have increased the flow of money to consumers, much more than the flow of goods and services available to them. In fact, the supply of many items is being curtailed. And this process will continue. We are endeavoring to divert the flow of an increasing proportion of the incomes received, back through the Treasury; but this process is too slow and not sufficient to prevent the strong upward pressure upon prices for the goods and services available to consumers. The sale of savings stamps and bonds is contributing materially to the diversion of income back through the Federal Government into war expenditures. The Government, however, is borrowing and paying out currently more than is received through taxes and extra consumer savings.

Thus the prospects may be summarized as follows: We must greatly expand the production of war materials. We must draw some more men from the farms and the factories to use these materials. We can and will fix the prices of many products at many points. A policy of selective price fixing, with due regard to the needs for production and with some regard to justice, will bring best results. Since wage rates are one of the important keys to our price system, prices and wages must be negotiated or controlled with some regard to each other. Unquestionably price inflation and deflation are harmful and we should do all that is possible and practicable to avoid further advances in the general price level; and follow through to try to avoid sharp declines after the war. But let me reassert that first of all we must win this war, and that we cannot hope to avoid all the problems from the evil effects of war dislocations while we are engaged in it, nor the difficulties that will arise in the readjustments after the war. At best, we may hope to lessen the difficulties involved in carrying on the war and the shock of readjustment after it.

Some of you, knowing our propensity to forecast, are probably asking: Well, what is ahead? Perhaps the most significant data to be considered in connection with any forecast are the estimates of Government receipts and expenditures which are a matter of public record. The national defense expenditures in the fiscal year ending in 1941 amounted to about 6 billion dollars; will be increased to about 24 billions in the fiscal year ending in 1942; and it is estimated that they will reach at least 53 billions for the fiscal year ending July 1, 1943. The nondefense Government spending will remain about the same or be reduced slightly, so that total Government expenditures will increase from about 13 billion dollars in the fiscal year ending in 1941 to at least 60 billions in the fiscal year ending in 1943.

Revenues, that is, tax receipts will increase from about 7.6 billions to 24 billions, resulting in deficits increasing from 5 billions in the fiscal year ending in 1941 to at least 35 billions in the fiscal year 1943. National income, that is, the net value of the national product amounted to 95 billion dollars in 1941, a marked advance over 1939. To date we have found our forecasts of income and prices since 1939 generally short of the fact. National income at the beginning of 1942 is running at an annual rate of a little over 100 billion dollars. The income for the year is variously estimated from 110 to 120 billions. It seems to me that if the war program is realized, national income in 1943 is likely to be at least 130 billion dollars.

Under these conditions wholesale prices are being pushed upward. They have risen from an index of 96 in 1939 to 108 in 1941 (1935-1939=100). Now we send the index up to 120, an advance of about 20 points in the past 12 months. The advance may be slowed up in the few months ahead, but I think it is likely to advance rapidly in the latter half of the year unless we do develop very effective price and wage controls.

Up to this point I have said very little about farm prices. We have already noted that they have advanced about 50 per cent since the outbreak of the war in Europe. The Price Control Bill sets up a definite formula for the determination of *minimum ceilings*. Perhaps in some cases the minimum will become maximum prices. But if we are successful in obtaining all the necessary materials—both for the war industries and for food—ceilings are likely to be

fixed above these minimums on some products. Furthermore, in considering what is likely to happen to farm prices, we must take into account the fact that we have a flexible ceiling. As the parity index rises, the ceiling rises. That index has advanced from an average of 127 in 1939 to 148 in March, 1942. Price ceilings have been imposed on some of the items in this index, and others may be brought under control, slowing up the advance in the index. Since some of the items in this index are of agricultural origin and subject to the limitations on ceilings in the Control Act, the lifting of all prices to the minimum ceilings on those items would raise the index several points. Furthermore, from time to time it will be found to be necessary to lift the ceilings on some of the products in order to obtain supplies. In Canada and even in Germany it has developed to be wise or necessary to permit increases in the prices of some farm products in order to obtain desirable supplies. Under these conditions parity prices for most farm products are practically assured until the war ends and for a period thereafter while we are making up deficits in food and clothing, until the production of the deficit countries engaged in the war recovers approximately to normal levels and our competitors return the flow of surpluses into these markets.

## Government Building Up Employee Reservoir in Social Science Fields

JAMES S. HATHCOCK

PRINCIPAL EXAMINER (SOCIAL SCIENCE) EXAMINING  
DIVISION U. S. CIVIL SERVICE COMMISSION

The rapid expansion of the civilian war program, which must keep step with the country's constantly increasing military operations, creates, day by day, new needs for personnel in war agencies of the Federal Government. The responsibility for meeting the needs rests with the United States Civil Service Commission, central personnel agency of the Government.

The Civil Service Commission has adopted wholesale shortcuts in its recruiting methods. It has put into effect numerous procedural innovations calculated to facilitate the task of supplying emergency employees as required by the war agencies.

One such innovation may be found at work in the examining units of the Commission, where reservoirs of qualified candidates for Government jobs have been established, particularly in the professional and sub-professional fields. These candidates are persons who have filed their records with the Commission as an indication of their willingness to participate in civilian war service if and when their services are required, subject, of course, to their further consideration at the time the jobs become available.

It may be assumed that not all the candidates will be offered appointment; nevertheless, those persons who have filed, and, more especially, those persons who have not filed (because the necessary extra ounce of incentive has not been provided), will be interested in a current "job roundup", prepared for the *Quarterly* by the Civil Service Commission, showing the jobs that are available in the social science field, the salaries that are paid, the qualifications necessary, and the possibilities of obtaining such jobs.

The Commission wishes to add to its reservoir the names of persons qualified in the fields described below.

*Analysts and technical experts* in the fields of iron and steel, industrial machinery, chemicals, foods, rubber, textiles, public utilities, transportation, finance and foreign trade, with specialized knowledge of foreign countries, are needed for placement in

critical jobs in Washington, D. C., and in other points both inside and outside the United States. College training in an appropriate field is desirable, but industrial or business experience sufficient to demonstrate achievement equal to that represented by college or university training may be substituted. Salaries range from \$2,600 to \$6,500 a year.

Persons with responsible *statistical experience* in the fields of industrial studies, commodity analysis, price analysis, general sociological analysis and labor market analysis are needed for jobs paying from \$2,600 to \$6,500 a year. Positions are located in Washington, D. C., and in other large cities. College training in statistics, preferably in combination with a particular field, is desirable, but applicants may substitute practical statistical experience, provided the experience is of sufficiently high quality.

*Transportation analysts* with experience in research or analysis in the fields of transportation by air, railroad, highway and water are needed for critical jobs paying from \$2,600 to \$6,500. The majority of the jobs are in Washington, D. C. College training may be substituted for experience.

*Marketing analysts* are needed in Washington, D. C., to plan and conduct marketing research. Positions pay from \$2,600 to \$6,500 a year. Applicants must have had experience in research or analysis in the field of marketing sufficient to demonstrate their ability to handle difficult research problems. Experience requirements vary with the grade of the position. Appropriate undergraduate college study, or graduate study in marketing combined with research, or college teaching in the field of marketing combined with research, may be substituted for experience.

Industry analysts who have made comprehensive studies of individual industries or branches of an industry are needed to conduct or assist in conducting research studies from which recommendations may be made for definite managerial or Government policies with respect to such industries; to formulate or revise price schedules; to organize and conduct industry conferences; and to handle complaints and inquiries concerning the operations of price schedules. Positions are available in Washington, D. C., paying from \$2,600 to \$6,500 per year.

Applicants with experience in dealing with economic problems and analyses in business, in research, or in teaching economics,

may find jobs as *economic analysts* at \$2,600 to \$6,500.

In the field of accounting, *cost auditors* with highly specialized public accounting and manufacturing cost accounting experience in such fields as aircraft, automobiles, machinery of all kinds, foods, chemicals, iron and steel, textiles, lumber and building materials, paper, petroleum, rubber, stone, clay, and consumer durable goods, are urgently needed for responsible accounting and auditing assignments. Jobs in Washington, D. C., and in the field service are available at \$2,600 to \$5,600 a year.

Qualified *purchasing officers* are needed for appointment to war jobs throughout the United States and in foreign countries. These positions pay from \$2,000 to \$4,600 a year, depending upon the general and special experience of the applicant.

In the social services, persons who are qualified to serve as organizers and consultants in social group work and recreation programs may secure positions throughout the country as *Community Recreation Organizers* at various salaries ranging from \$2,000 to \$4,600 a year, depending upon the length and quality of the applicant's experience.

*Consultants in public assistance* are needed to fill positions paying from \$2,600 to \$4,600 a year. Individuals are wanted who have a thorough knowledge of the administration of public social services, of governmental organizations, of legal problems which are the concern of social agencies, and an understanding of the organization of public assistance services. Complete college training in the appropriate field is required. Jobs are available in Washington, D. C., and in the 12 Regional offices of the Social Security Board.

\* \* \* \*

In the field of administration and management, job opportunities exist in Washington, D. C., and in all parts of the United States and in foreign countries at salary levels from \$2,600 to \$8,000 a year. For example—

*Administrative analysts or industrial consultants*—individuals who have had responsible experience in the over-all analysis of organizations, procedures, flow of work and work methods, and in making recommendations and putting into effect desired changes.

*Administrative officers*—experienced in executive or administrative work in public or private employment. In particular, ex-

perience in governmental administration—federal, state, or local—is desirable.

*Personnel managers*, including those experienced in classification of skills and abilities, in the training of personnel, or in labor relations.

*Housing managers and housing management supervisors*—executives and specialists experienced in the management of large-scale residential properties, public or private, who may be able to assume the responsibility for committee supervision, tenant selection and tenant relations, fiscal control, and community and public relations.

\* \* \* \*

These jobs, and many more, are available to persons qualified in the general field of the social sciences. It should be kept in mind that college training may be substituted for experience as a means of qualifying for positions in the lower grades; but, in all cases, responsible experience in an appropriate field is a requirement for positions in the upper grades.

In the administrative and management group, many, if not most, of the topflight positions require a combination of extensive administrative ability plus a thorough knowledge of and training in a specialized field, such as industrial production, import and export trade, transportation, personnel work, and purchasing.

Written tests are not required. Appointments are known as War Service Appointments; unless otherwise limited, they are for the duration of the war, and not more than 6 months after the war.

Additional information, and the necessary forms for filing, may be secured from the Secretary, Board of United States Civil Service Examiners, at any first- or second-class post office, at the regional headquarters of any of the 13 United States Civil Service Regions (located in Boston, New York, Philadelphia, Winston-Salem, N. C., Atlanta, Cincinnati, Chicago, St. Paul, St. Louis, New Orleans, Seattle, San Francisco and Denver), or by addressing the United States Civil Service Commission, Washington, D. C.

## Newsnotes from the Southwest

Following the resignation of Carl M. Rosenquist, Miss Ruth A. Allen becomes, with this issue, the Editor-in-chief of the *Quarterly*. Miss Allen is Professor of Economics, the University of Texas.

Carl M. Rosenquist is on leave from the Department of Sociology, University of Texas to work with the Office of Price Administration in the state of Louisiana.

Spencer D. Albright, formerly of the Department of Government, University of Texas, now of Reed College will serve during 1942-43 as Lecturer in Political Science at the University of Washington, Seattle.

George W. Stocking who has been absent on leave from the Department of Economics, University of Texas for two years serving with the Antitrust Division of the Department of Justice and the Office of Price Administration in Washington, returned to the University in September.

Watrous H. Irons, Professor of Banking and Finance, University of Texas, is on leave to work with the Office of Price Administration in Dallas.

Sam B. Barton, Department of Economics, North Texas State Teacher's College, Denton, is on leave to work with the Office of Price Administration and the Bureau of Labor Statistics in Washington.

Herschel Coffee, West Texas State Teacher's College, is on leave to teach and do graduate work in the Department of Economics, University of Texas.

Wendell C. Gordon formerly of the Department of Economics, University of Texas, is now with the armed forces.

Emmett S. Redford, Professor of Government, University of Texas, is on leave to work with the Office of Price Administration in Dallas.

Nelson W. Peach, formerly of the Department of Economics, University of Texas, is now with the Federal Reserve Bank in Dallas.

Louis M. O'Quinn is on leave from the Louisiana Technological College to teach and do graduate study in the Department of

**Economics, University of Texas.**

**Erich W. Zimmerman**, has been appointed Professor of Natural Resources, School of Business Administration, University of Texas.

**Joe K. Johnson**, Professor of Sociology, East Texas State Teacher's College, Commerce, is on leave serving as a Captain in the Adjutant-General's Department.

## Book Reviews

EDITED BY O. DOUGLAS WEEKS  
*The University of Texas*

Smith, Charles Edward, *Tiberius and the Roman Empire*, (Baton Rouge: Louisiana State University Press, 1942, pp. v, 281).

Professor Smith's study consists of three parts: a brief but far from perfunctory introduction to the period, a narrative of Tiberius' reign, and four chapters devoted to four separate aspects of the period as a whole. Little need be said of the introduction beyond the fact that it contains information about the principate and about Tiberius' career during the lifetime of Augustus, and that this information, though reduced to an absolute minimum, is admirably selected. The narrative part follows pretty closely the order of Tacitus' *Annals*. That is to say that it begins with the events in Rome that follow the death of Augustus until Tiberius is firmly established as Princeps. Then the scene shifts to the mutinies in Pannonia and on the Rhine, following which Germanicus' campaigns against the Germans are described. We are brought back to Rome with Germanicus, and then accompany him on his ill-starred mission to the East. After Germanicus' death we are taken back to Rome for the famous Piso trial, and remain there to watch Sejanus become a power in the state. The seventh and last chapter of the narrative deals with the fall of Sejanus and with other events during Tiberius' self-imposed exile at Capri. It ends with the death of the emperor.

The basic source for this period is of course Tacitus' *annals*, so that as Professor Smith points out in his Preface (p. iii) the chief task of the historian is one of "emphasis and interpretation". In the space at my disposal it will be possible to consider only one or two controversial points. The author is of the opinion that Tiberius found himself in a precarious position at the beginning of his reign. The danger lay in a possible uprising in favor either of Agrippa Postumus, Augustus' grandson, or Germanicus, Augustus' great-nephew. (See pp. 13-14). This view seems unlikely on general grounds. Agrippa was without the experience necessary to lead a successful military expedition, himself, while he lacked the amiable qualities that might have made him acceptable as a figure-head for a faction. The Roman Empire was not ready for a Vitellius in 14 A. D. As for Germanicus, while he was a young man with many social graces, his easy going nature was not apt to lead him into a revolt against an uncle of Tiberius' proved military capacities, especially as Germanicus was to inherit Tiberius' place in accordance with the arrangements made by Augustus. But these are general con-

siderations. Professor Smith's argument rests on two known facts, the murder of Agrippa Postumus, and the revolt of 16 A.D. led by Agrippa's slave, Clemens, who impersonated his deceased master. The author considers the possibility that Agrippa was murdered at the instigation of Augustus, Tiberius, or Livia (p. 13). By eliminating Augustus and Tiberius in turn he attempts to prove that Livia was responsible (p. 14). This argument is far from convincing, as it ignores the possibility suggested long ago by Ritter that Crispus ordered the murder, thinking that in doing so he was acting in a way that would be gratifying to Tiberius (See Julius Ritter, *Die taciteische Charakterzeichnung des Tiberius*, Rudolstadt, 1895, pp. 4-5). The other fact, the revolt of Clemens (See Smith, p. 17), does not amount to very much. The movement was poorly planned and easily suppressed, and does not seem to have been supported by any considerable faction. It certainly does not justify Professor Smith's statement that, "the emperor's position might have been precarious had Agrippa succeeded in reaching the legions in the fall of 14."

In his narrative of Germanicus' campaigns against the Germans Professor Smith is lucid and convincing (Chapter III), and the same may be said for his interpretation of the career and policies of Sejanus (See Chapters VI and VII, especially pp. 152-153). In my opinion he is less felicitous in discussing the relations of Tiberius and Piso. In one place we read (p. 86): "Piso probably received written instructions from Tiberius to govern his conduct in the East." Later we find (p. 112): "On the other hand Tiberius can hardly be presumed to have been foolish enough to put confidential instructions in writing, which he could conveniently have given Piso orally prior to his departure for the East."

The last four chapters deal with the treason trials, the provincial administration, relations between Tiberius and the Senate, and economic conditions, respectively. The chapter on economic conditions is particularly useful for its references to the results of recent investigations. Occasionally one may quarrel with an interpretation, as when Professor Smith attributes the reduction of taxes in Rome's new province of Cappadocia to the prosperity of that region (pp. 239-240). Tacitus is probably right when he says they were reduced so that Roman rule might seem more lenient than their former government (See *Ann.* II, 56—*quo minus Romanorum imperium speraretur*).

It should be pointed out that the footnotes are an excellent guide to the literature on Tiberius. They frequently contain convenient summaries of the views of different scholars on disputed points. The bibliography is well selected, though one is surprised to find Gelzer's article on Tiberius in the *Real-Encyklopädie* (s.v. *Julius* no. 154) omitted, especially after the mention of it in the Preface (p. iii). In conclusion it may be said that Professor Smith's book is a significant contribution to the study of Tiberius. One cannot fail to be impressed by the famil-

ilarity which it shows both with the ancient sources and with modern literature on the period.

The University of Texas

TRUEDELL S. BROWN

Gellhorn, Walter, *Federal Administrative Proceedings*. (Baltimore: The Johns Hopkins Press, 1941, pp. 150.)

Professor Gellhorn suggests, in the second chapter of *Federal Administrative Proceedings*, that "administrative law" in the United States has passed through three phases: first, controversy about basic questions of division of power; second, controversy about whether and how much courts could review administrative determinations; third, the concessions having been made that administrative agencies will exercise power and that "judicial review of bad administrative decisions is a poor substitute for good administrative decisions in the first place," the controversy now chiefly centers about the procedure of administration itself. It is to make several very pertinent comments about that procedure, in federal agencies, that this book was written.

First, the familiar indictment of the prosecutor-judge complex is reviewed. The author points out that the dangers here are over-emphasized, since only very rarely do the same *individuals* prosecute and judge. Then he argues that to attempt a splitting of the agencies would be impractical and dangerous. What, in essence, he argues, is that since prosecution and judging have already been divorced to a degree, it is unnecessary and in many respects dangerous to separate them still further.

Another valuable observation, made earlier in the report of the Attorney-General's Committee on Administrative Procedure, is that the great mass of administrative decisions of many kinds, although they might conceivably be judicialized, are made, and are almost necessarily made, informally, without hearings comparable to court procedures. But certain suggestions are made so that in those actions which sometimes must be made after judicialized procedures, we may have "formality without formalism". He suggests that, although there are some dangers and some safeguards are necessary, administrative agencies are not taking full advantage of their opportunities to take official notice of their accumulated special knowledge of conditions in the field subject to them; and that an increased use of written evidence would speed up and clarify even formal administrative proceedings.

Perhaps the most thought-provoking idea advanced is that, as policy-making is shifted more and more to the administrative agencies, they inevitably become, instead of or along with legislatures, the focal points of interest group pressures, and that, by working in collaboration with affected interest groups, government by administration has a tendency to become more democratic rather than less. The danger that the interest group representation may not coincide with the full public interest is

mentioned, though perhaps underestimated. The author suggests, however, that lay interests should be represented *before*, rather than *in*, the agency.

There is little that is completely new in these essays—most of the examples and many of the suggestions are from the reports of the Attorney-General's Committee on Administrative Procedure, for whom this author was director of research—but the ideas here are put in clearer fashion and more imaginative language than anywhere else.

North Texas State Teachers College

YORK Y. WILLBERN

Barr, Arvil S., Ewbank, Henry L., and McCormick, Thomas C., *Radio in the Classroom*. (Madison: The University of Wisconsin Press, 1942, pp. 203.)

This book reports on the University of Wisconsin Research Project in School Broadcasting, the dual objective of which "was to determine, through demonstration and evaluation, the place of radio in the classroom, and to devise methods for its most effective use." (p. 3.)

Series of broadcasts were outlined in each of the following subject matter fields: music, nature study, geography, social studies, English, and speech. Experimental studies involving control groups were then made to determine the influence of the University radio broadcasts upon school children in various grades, ranging from the fifth to the twelfth. Teachers' manuals and supplementary materials were prepared and made available to both radio listening group and control group teachers. Objective tests were given to pupils in both groups at the beginning and at the end of the experimental period. Subjective reactions were also secured from the teachers.

At first glance the results will be disappointing to the ardent believer in education via radio, for refined analysis of the objective data yielded very little evidence of statistically reliable or substantial differences between the radio and the control groups at the end of the experimental period. In fact, there were instances of greater change or improvement on the part of the control group, though the differences were never large. Comparisons were made not only for information test performance but of changes in attitude, interest, and appreciation.

The generally favorable subjective reactions from participating teachers, the continued and increasing utilization of the University's broadcasts since the experimentation has terminated, the purchasing of teacher manuals, and requests for program transcriptions to be broadcast by local stations in areas not adequately served by the University station, and most persuasive of all, the increased state legislative appropriation for educational radio—these types of evidence suggest that methodology basic to the entire evaluation program may not have been entirely appropriate or

adequate. Emphasis is placed upon the comparative rather than the absolute changes and gains made by the two groups.

The experimenter seems to be confronted with this dilemma: either he cannot validly apply the same objective tests to both groups, or he must supply the control group with many of the same essential materials (though in a different form) which he gives the radio group. Compelled to take the second alternative, he then finds that the assistance given the control group teacher apparently largely offsets any advantages inherent in the broadcasts themselves. Furthermore, there are various difficulties facing the radio groups which do not occur in the case of the control groups: the need of modifying the school program so as to be able to listen to the broadcast when it is in progress; the mechanical problems of faulty reception; the gap in mental level separating the University script-writer and the public school pupil.

In conclusion, therefore, this report, while constituting a valuable and substantial addition to the rapidly growing literature in this field, should serve to stimulate further research rather than to constitute the last word on the influence of radio in education.

Louisiana State University

EDGAR A. SCHULER

de Seversky, Major Alexander P., *Victory Through Air Power*. (New York: Simon and Schuster Inc., 1942. pp. xlv, 352.)

This is a thought provoking book to an unusual degree. It is a timely contribution to the literature dealing with the present world catastrophe.

The author, Major de Seversky, is an aviator of note and he has an established reputation as an airplane designer and manufacturer. Even if these facts were not known, one could scarcely read *Victory Through Air Power* without being impressed by the scope of information assembled and the straight-forward style of its presentation. The style is not only explanatory but it borders on the argumentative. The author is not content with revealing or making known but he endeavors to convince.

The power of airplanes is set forth through careful analyses of the action in Norway, France, England, and the Mediterranean. The mistakes, both of the Axis and the Allied Nations, made in these spheres of action are carefully considered and to the layman the logic appears sound. He argues eloquently and at length for air power to have a unified command. Airplanes cannot be used effectively so long as they are considered a subsidiary of the army or navy. Airpower can attain its maximum efficiency and effectiveness only when established as a separate branch of our fighting forces on a par with the navy and army. Just as the army fights on land and the navy on the sea so the airplane's sphere is in the air over both sea and land. Likewise, a commander trained for sea or land duty cannot direct the use of the airplane efficiently. To understand the potentialities of air-power the commander must be trained

for operation in the air. In a similar manner it is asserted that airplanes must be designed and constructed for a specific purpose. Herein lies the secret of the failure of the German *Blitzkrieg* to conquer England. The German air-power was not properly designed for subduing England, but the English fighter planes were well adapted for the particular duty that they were called upon to do. America's geographical position demands not only long range heavy bombers but also long range fighter planes.

The air-power lessons for America are pointed out. The sinking of the *Bismarck*, *Prince of Wales*, *Repulse*, and other vessels are cited as evidence of the twilight of sea power. The complacency and dishonesty in the military bureaucracy of France as revealed by Major Seversky are startling. This reviewer wonders whether the author intended to imply that the experience of General Mitchell reflected a similar situation in our country. The "higher-ups" are not accused but they are tolerantly excused on the grounds that training and age often incapacitate people to acquire and assimilate new and progressive ideas. The force of habit is powerful.

A positive program for America to gain victory through air power is set forth and it appears plausible. Nevertheless, this reviewer has a feeling that the author is a little over enthusiastic and minimizes the handicaps in the program he outlines.

The book has a good format and is comparatively free from typographical errors.

Louisiana Polytechnic Institute

G. W. McGINTY

Carr, Lowell Juilliard, *Delinquency Control*. (New York: Harper and Brothers, 1940, 1941, pp. xiv, 447).

It is Dr. Carr's stated purpose in this work "to provide a handbook for students, social workers, court officials, and civic leaders who may be interested in reducing juvenile maladjustments as one step toward more effective control of crime." This purpose has certainly been attained, and most adequately; but the author has gone considerably further. He has, in addition, provided a cogent and realistic analysis of the many problems connected with the incidence and control of delinquency.

Carr suggests, in his opening chapters, that what we have done is to approach the problem of juvenile delinquency in terms of myth-mindedness, although we possess at least the beginnings of a scientific basis of understanding and control. In effect, we have the anomaly of the "ox-cart on main street," so far as our application of scientific techniques to the control of this social problem is concerned. Although many readers will no doubt take issue with Carr's conception of the transition of social thought from "superstition" to "science," his first two chapters, comprising the first part of the book and entitled "From Tradition To Technology," certainly contain much stimulating material for the serious

thinker on social problems.

The remaining four parts of the book, headed respectively "The Scientific Phase," "The Technology of Control," "Social Action," and "Social Organization," make up a thorough and well-organized discussion of the elements and the significance of juvenile delinquency. Maintaining an objectivity not always characteristic of writers on social problems. Carr nevertheless emphasizes strikingly the social cost of delinquency and its allied problems. He is careful to keep at all times within a sociological frame of reference, defining delinquency in terms of social and individual maladjustment and institutional inadequacy.

Of particular interest to this reviewer was the scheme for defining delinquency with "consistency and singleness of reference." Carr defines delinquents on six levels: juvenile deviates, legal delinquents, detected delinquents, agency delinquents, alleged delinquents, and adjudged delinquents, all subsumed under the total juvenile population, and each type a segment of the type preceding. The whole is diagrammed as a series of concentric circles. It is regrettable that more space was not devoted to the development of the scheme; it appears to be a most useful tool in delinquency research.

Throughout the book, Carr documents his statements with references to the Michigan Child Guidance Institute, with which he is associated. The appendix contains forms, records, and publications of the Institute, in addition to an excellent bibliography.

Teachers of social problems courses, especially those concerned primarily with juvenile delinquency, should welcome this book. For the general problems course, it serves as a good reference book; for the course organized around the study of delinquency, it should provide a satisfactory text. It is a valuable addition to the literature of sociology and social work.

The University of Texas

W. GORDON BROWDER

Forbes, Gerald, *Flush Production*. (Norman: University of Oklahoma Press, 1942, pp. xi, 253.)

By far the largest, richest, and most significant industrial development in the Gulf Southwest has been the production of oil and gas and their derivatives. For a generation its influence on the economics, the politics, and the institutions of this area has been tremendous, and now, since oil is of increasing strategic value in a warring world and this area is the greatest source of the precious commodity anywhere, it has taken on even greater national and international significance. *Flush Production*, the appropriate subtitle of which is "The Epic of Oil in the Gulf Southwest," is a history of the petroleum industry in Kansas, Oklahoma, Texas, Arkansas, Louisiana, and New Mexico.

The author has been both a newspaperman of considerable experience

and a professor of history, and, as might be expected from that background, the book occupies a middle ground between the popular and the scholarly approach, with perhaps a leaning in the direction of the popular. The chapter titles—"Spudding In," "From Seepage to Spindletop," "Peddling the Milky Way," "Thus Tales Are Made," for example—are framed to arouse interest, and the language and general tone of explanation are pitched on a level to appeal to the general reader. But the book is far from being a romance and collection of tall tales; many a fact and figure is included, the development of the topic is logical and orderly, and most of the significant developments in the industry are mentioned, at least in an elementary way. There are no footnotes, but a good bibliography is added.

The first four chapters—more than half the book—are devoted to a chronological account of the growth of the industry, with most attention to the discovery and development of the more important fields but with some notice of the construction of pipe lines and refinery centers. Then a short chapter is devoted to each of these topics: scientific advances, financial manipulation, the natural gas industry, pipe lines, social and economic influences, legal aspects, the "spectre of governmental control," and tales and legends of the oil fields.

No attempt is made to be deep or profound, and discussions of problems of the industry are almost of necessity over-simplified and superficial. With regard to what is certainly one of the most significant developments, government control, for example, there is no clear account of the forces working for and within proration; there is an over-emphasis of the importance of the Interstate Oil Compact, even to the extent of suggesting that the Compact Commission allots production quotas to states, which it does not do; and the statement that "the spectre of governmental control has been successfully driven off, so far" is hardly an accurate picture of an industry which is probably regulated more intensively than any other industry, excepting public utilities, in the country. But there can be little question that Dr. Forbes has given us an interesting and reasonably complete account of the background and development of the most important industry of our region.

North Texas State Teachers College

YORK Y. WILLBERN

Foster, Michael B., *Masters of Political Thought: Plato to Machiavelli*.  
(Boston: Houghton Mifflin Co., 1941, pp. xiv, 302.)

The preparation of materials for courses in the history of political theory has, for a long time, been a matter of supreme disagreement among teachers of theory. Following the publication of W. A. Dunning's three-volume work, the textbook approach became more or less general. However, there soon were rumblings of discontent against straight textbook instruction. Students should become familiar with original sources!

The present volume, first of a series edited by Professor E. McC. Sait, represents an attempt to compromise these two pedagogical contentions. The main body of the work consists of excerpts from the original works of six great figures in political thought—Plato, Aristotle, Cicero, Augustine, Aquinas and Machiavelli.

Quite naturally, this plan necessitates the omission of much material now found in the standard courses. For instance, the Sophists are, except for the brief introduction of Socrates to the reader, conspicuous in their absence. To explain Plato, or to let him explain himself, is not an easy task unless one knows something of the subjectivism of the Sophists. This same criticism will apply to the entire work.

In the past, instructors may have erred in not requiring their students to read enough from the original sources, but to set forth the more or less completed systems of six leading thinkers without setting those philosophic systems into their general epistemological backgrounds is scarcely more logical or effective than the traditional textbook.

The choice of Cicero as representative of both the Roman and the Stoic schools is open to very serious questioning. Likewise, St. Augustine, influential as he was upon the development of Christian institutions, scarcely merits the prominent place to which Mr. Foster assigns him. He is too negative, too non-political! Blank pages might better have emphasized his contributions. None will quarrel with the eminence granted to Aquinas and Machiavelli. But the incomparable Albertus Magnus is only casually mentioned as Aquinas' master. Such is, by all standards, an under-evaluation of the influence of the great Dominican who prepared the materials for the "Aristotlization" of mediaeval political theory.

The scholarship of the volume is sound, and better. But, except for those schools where good translations of the masterpieces of political thought are not available, the volume will not contribute substantially to the equipment already available for instruction in political theory.

University of Oklahoma

CORTEZ A. M. EWING

*Texas Newspapers, 1813-1939: A Union List of Newspaper Files Available in Offices of Publishers, Libraries, and a Number of Private Collections.* Prepared by Historical Records Survey Program, Division of Professional and Service Projects, Work Projects Administration of Texas. (Houston: San Jacinto Museum of History Association, 1941, xiii, 293.)

With the publication of *Texas Newspapers, 1813-1939*, the fact again becomes obvious that not all the program of the Work Projects Administration of Texas was "boondoggling." The present publication proves unmistakably that purposeful study and investigation of an hiatus in information regarding Texas newspapers was carried on with intelligent direction and on a broad scale for a number of years. This pursuit of

needed and useful information has been brought to a fruition which makes a valuable contribution to Texas scholarship.

The foreword of this volume is written by Ike Moore, Director of the San Jacinto Museum of History, who was state supervisor of the Historical Records Survey in Texas from 1936 to 1939 during which time much of the field work for this study was done. Special recognition for services rendered is given to James Taylor, Charles W. Hodges, Claud Keltner, Charles Clark, and Joseph Milton Nance. Nance is mentioned particularly for having edited the manuscript. With all due credit to the above persons, Ike Moore is entirely too modest and tones down more than he ought to have done his large and important role played in this newspaper inventory.

The check list contains bibliographical data concerning 3,212 titles of newspapers published in 738 Texas towns and cities, 830 of which titles are currently published in 451 locations. The foreword best explains the listings: "The arrangement of the list is alphabetical, first by towns, and there-under by titles . . . [Location symbols are given indicating depositories where files may be found.] At the back of the volume is an index of depositories having files of Texas newspapers published prior to 1877 . . . Finally, there is an alphabetic index of all titles included in the volume."

Since the time of the writing of McMaster's *History of the American People*, it has not been necessary to justify the newspaper as an essential part of the equipment of one who essays to write modern history. This list points out, more satisfactorily than anything which has preceded it, the location of a vast depository of newspaper material so essential to the full history of Texas.

*Texas Newspapers, 1813-1939*, is listed as Volume I of the *Publications* of the San Jacinto Museum of History, and other contributions to Texas history are promised annually.

The University of Texas

H. BAILEY CARROLL

Kuhlman, A. F. (ed.), *The Department of University Centers in the South*. (Nashville: The Peabody Press and The Vanderbilt University Press, 1942, pp. 128.)

One of the most hopeful signs of the development of southern higher education comes in *The Development of University Centers in the South*. The work comprises the papers presented at the dedication of the Joint University Library in Nashville in December, 1941, and is edited by the director of the joint library.

As is inevitably the case, there is considerable duplication in the essays. Some of them show unmistakably that they were written for delivery, with a consequent reduction in their quality as written material.

Through the collection, whether the discussion is focussed on the North Carolina, Georgia, New Orleans, or Nashville experiments, there recurs

the arguments for centralization of the educational process. In the optimistic period, the honeymoon period, of higher education in America, colleges and universities mushroomed everywhere. Most of them were equipped with good intentions and zeal. Now their leaders are facing the problems of improving standards and of expanding the scope of instruction to meet the demands of the modern world. As laboratories of many disciplines, the libraries epitomized this unfortunate educational particularism. Though only short distances removed from one another, the individual college libraries expended their financial resources for the same indispensable books. This policy left them without those works which are necessary for graduate instruction. Now, in the development of the university centers, the old duplication is erased. The individual college library resources are being pooled, and collections requisite for graduate instruction are being brought together. With only limited resources, the southern schools are being forced by cooperation to achieve the goal of the great library collections in other sections.

University of Oklahoma

CORTEZ A. M. EWING

Mange, Alyce Edythe, *The Near Eastern Policy of the Emperor Napoleon III*. (Urbana: Illinois Studies in the Social Sciences, xxv, Nos. 1-2, The University of Illinois Press, 1940.)

Miss Mange has contributed to the Illinois Studies in the Social Sciences a worthy treatment of Napoleon III's Near Eastern policy. Her introduction analyzes the foundations of French policy in the Near East as they were laid through centuries prior to 1852. Then she treats in order the role of Napoleon III and public servants in four major Near Eastern problems during the Second Empire: the Crimean War, the Danubian Principalities, the Lebanon, and the Suez Canal. The conclusion appraises the Emperor's influence in determining policies; he and his ministers seem to have been influenced by four main objectives: the support of France's ancient interests and traditions in the Levant, the preservation of cooperation with Great Britain (and here the author might have explained the "alliance" more clearly), the support of subject nationalities, and, paradoxically, the maintenance of Ottoman integrity.

The author so avoided the doctoral propensity for expanding on related but tangential subjects that one could wish for the filling of a few chinks. For example, Italo-French negotiations with respect to Piedmont-Sardinian participation in the Crimean struggle might conceivably have been within the scope of this monograph. Furthermore, the topical chapters carrying four international questions through their crises, but do not in every case complete the detailed story to the point of Napoleon's fall.

Copious footnotes and an eight-page bibliography indicate careful research, chiefly in French and British documents, memoirs, published letters, newspapers, periodicals, and monographs.

The University of Texas

ALLAN B. COLE

## Book Notes

*Social Security Reserves* by J. S. Parker (Washington: American Council on Public Affairs, 1942, pp. 340) considers reserves as set up in the social security program of the United States from the viewpoint of their place in the financing of a system of insurance, which has specific obligations present and future. A careful analysis of types and functions of reserves as conceived by the accountant and the actuary gives a basis for evaluating current arguments pro reserve and con reserve that many students of social insurance do not have. Lack of such basic knowledge has, without doubt, led to much confused statement. An account of the proposals and compromises through which the Federal Social Security Act of 1935 came into being which is set forth by the author is necessary to an understanding of what the program is and what may be expected of it. Clarity is added by the analysis and tabular statement of the amendments of 1939. The study contains also short histories of the experiences of states, concluding that state systems show a tendency toward reserve financing. Discussions of the retirement systems for railroad employees in the United States and of European systems lead to a warning of the importance of recognizing differences in situations before applying experiential knowledge. The author concludes, quoting E. L. Dulles, that "Europe offers no clear parallel for financing our system" (p. 168). The interesting and highly provocative "Analysis of the Issues" should be read by all advocates of a "pay as you go" policy for financing the national program not because the author's conclusion that "in financing old age insurance as in many other programs the hard way is the best way," is necessarily right or sound, but because the cogent and penetrating questions asked must be answered by those who advocate a different policy. Two chapters of great interest deal with the effects of the reserve which would be built up under the federal program upon the accumulation and use of private capital and upon the financial interests of commercial insurance companies. Another discusses the question "Should Society Save for the Future?"

R.A.A.

Marvin E. Lowe's study of *The British Tariff Movement*, (Washington: American Council on Public Affairs, 1942, pp. 132) deals with the period and processes through which England ended her years of loyalty to the principle of "free trade" and joined other western nations in bolstering national economic life by taxing the importation of goods. The writer is not concerned with argument as to the soundness or unsoundness of the tariff though certain judgments do seem to emerge from following the record as set forth. His interest is in analyzing the forces, situations and personalities from which sprang support of and opposition to the demand for "tariff reform" and around and between which the controversy raged. The study gives revealing and provocative light upon the making and developing of national policies. It also suggests the extent to which the acceptance of economic policies based upon nationalism is a

contributing factor to the clash of nations not through import taxes but through guns and bombs and human life. The tariff did not prove as its leading supporters, among whom was Neville Chamberlain, had insisted "a shield and buckler to withstand the mighty shocks of reality." Internal threats to the unity of the Empire grew even more insistent after "tariff reform" than before, and with them came an outburst of nationalism with its corollary of internationalism which now engulfs the world. Of especial interest are the numerous quotations through which groups, periodicals and political leaders are allowed to express their judgment and feeling as the bill levying import taxes moved from its budget defeat in 1909 with the resulting rejection of the budget by the House of Lords to its final victory in 1932. And in the pages of the record are ever present the Chamberlains, father and sons.

R.A.A.

Theodore W. Cousins' *Politics and Political Organizations in America* (New York: The Macmillan Co., 1942, pp. ix, 617) is a textbook with an historical approach, nearly half the material being presented in narrative form and built around the history of the two major parties. However, all phases of the political process are presented in somewhat abbreviated form. As a special claim to distinction the author states that he has attempted to work out a theory of parties which is broader than mere economic determinism. In earlier times religion appeared to be the chief cause of party cleavage, still later it was largely political, but at the present time is chiefly economic. In the future he ventures to suggest that it may be something else than mere economic factors. This broader theory he calls the theory of *vital interests*, which would take into consideration all the conditioning factors, such as church, home, school, social life and ideals. This book is thoroughly up-to-date, and for those who prefer the historical approach, with a brief but rather complete treatment of the other processes of politics, it should prove to be a satisfactory textbook.

L.A.D.

Students of French political thought are well aware that the full development of absolute monarchy in France was resisted by many jurists and political writers who sought to preserve or to revive conceptions of limited government characteristic of the Middle Ages. This was particularly true during the sixteenth century. *Constitutional Thought in Sixteenth-Century France, A Study in the Evolution of Ideas* (Cambridge: Harvard University Press, 1941, pp. 360), by William Farr Church, presents and analyzes the ideas of leading contemporary jurists who participated in this controversy. First consideration is given to the theories of Claude deSeyssel, followed by treatments of the apologists for absolutism and of the theory of the French Constitution. Subsequent chapters deal with Du Moulin, Bodin, the divine right theorists, Guy Coquille, and the theory of absolutism. There can be no doubt that this work fills an important gap in the history of ideas which form the background of modern constitutionalism.

O.D.W.

Professor E. E. Schattschneider's *Party Government* (New York: Farrar and Rinehart, Inc., 1942, pp. xvi, 219) is another little volume in the excellent *American Government in Action Series*. It is, however, much more than a mere brief and popular summary of the accepted theory of political parties. The book has a fresh and original approach to the problem, and in some respects, it seems to me, makes a considerable contribution. It will scarcely please the idealistic followers of the Burke concept, for it is distinctly hard-headed and realistic,—not to say cynical. To pick out just one of several stimulating suggestions, the author's elaboration of the peculiarly local nature of American parties seemed to me especially fruitful. The chief criticism of the book is that it would be pretty tough going as collateral reading for the average sophomore or junior,—for whom it is presumably intended. J.H.L.

An addition to the *America Looks Ahead* series of the World Peace Foundation, Mr. Josef Hanc's pamphlet, *Eastern Europe and the United States* (Boston: World Peace Foundation, 1942, pp. vi., 95), outlines the major problems which will have to be met in the reconstituting of durable peace in an area so often the cause of wars. The author brings into sharp relief the fundamental dilemma—the desire of the varied populations for self-determination, contrasted with the necessity for some form of union in the after-war settlement. The greater part of the book is devoted to an historical survey of attempts at Balkan union from the Peace Conference to the present. For further reading, a convenient annotated bibliography has been included, together with some related documents. E.G.L.

Theodore Milton Black's *Democratic Party Publicity in the 1940 Campaign* (New York: Plymouth Publishing Company, 1941, pp. x, 169) is a timely and useful item for a collateral reading list in courses in political parties as well as informative reading for any one interested in politics. The author served as assistant to Charles Michelson, long-time Democratic publicity chief, and to National Democratic Chairman Farley. He considers recent developments in Democratic party publicity organization and methods and discusses in detail the organization and functions of the Publicity Division in the campaign of 1940. The methods used and the propaganda of Michelson in that campaign are described and evaluated. O.D.W.

*Teaching the Social Studies* (Boston: D. C. Heath and Company, 1942, pp. xviii, 652), by Edgar Bruce Wesley, considers comprehensively and objectively the history and problems of presenting the subject matter of the social sciences in the elementary and secondary schools. The book is divided into seven parts dealing, respectively, with the current status of the social studies in the schools, the history of their development, the aims to be attained, the needed equipment in their teaching, pedagogical methods, and an evaluation of results or expected results. O.D.W.